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ROYAL COMMISSION
ON
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

MONTREAL, P.Q.

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The sittings of the Commission in Montreal were opened in Assembly Room 2, I.C.A.O., 10th Floor, Aviation Building, University and Dorchester Streets at 9.30 a.m., Monday, February 20th, 1956.

PRESENT

Mr. W. L. Gordon, Chairman;

Mr. Omer Lussier;

Mr. Andrew Stewart;

Mr. Raymond Gushue;

Mr. A. E. Grauer.

APPEARANCES:

Mayor Jean Drapeau, Mayor,
City of Montreal.

Mr. Valmore Gratton, Director,
Bureau of Economic Studies,
City of Montreal.

Mr. H.R. Crabtree, President,
Primary Textiles Institute and
Vice-President, Woods Manufacturing Co. Ltd.

Mr. M. W. Berry, Executive
Vice-President, Primary Textiles Institute

Mr. D. W. Robertson, Secretary,
Primary Textiles Institute

THE CHAIRMAN: Well, shall we come to order, gentlemen?

Your Worship, we are very pleased to be back in Montreal and we are looking forward to this brief you are about to present. If you would like to begin any time you are ready. We will mark your submission, Mr. Mayor, Exhibit 180.

Your Worship, I just should add that the proceedings will be recorded on the machine so if you do not want to say anything, it is a good time not to say it.

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MAYOR JEAN DRAPEAU: I thank you for the little piece of advice. Well, Mr. Chairman and Mr. Commissioners, I want to thank you as Mayor of Montreal for this opportunity given to the City to study the economic situation as it might be in 25 years. May I say that the City of Montreal has a special Bureau interested in this matter and making studies on this. Once in a while you have a deadline fixed to complete a certain study and we have experienced that deadline in this case as in any other case. We are not satisfied with what we are presenting to you and I don't think that even with one month or two months more we would still be satisfied, because this matter is so important and we have considered that the results of studies are such that the plan or synoptic resume is always modified to include more and more angles of the problem.

May I say a word of thanks to the Director of our Bureau of Economic Studies, Mr. Valmore Gratton and to his assistant, Mr. Lavallee, who have worked very hard on this brief.

May I say the whole delivery of the City of Montreal comprises a brief that has been prepared by the Bureau on this matter as well as a copy of the brief submitted by the City to the Tremblay Royal Commission. Instead of reproducing the major part of this in our study we will ask you to consider that both documents are filed as one number, all being the brief of the City of Montreal.

The brief itself will be printed as the Tremblay Report. In fact, the Tremblay Report has been printed and delivered to us. The copies have come in

French and we are expecting the English copies likely this week or the beginning of next week and we will send to the Commission the English report to the Tremblay Commission. The same thing with the other part of the brief that has been translated in English. It is printed and copied by multigraph but we are going to send you printed copies so that the presentation will be better. It will be easier for you to work on this matter. It should not be very long now before you receive the English and French printed copies of the second part of our brief.

THE CHAIRMAN: Thank you.

MAYOR DRAPEAU: I think that the Commissioners are familiar enough with French or are more familiar with French and understanding it than I am in translating French into English so I will read a few pages very slowly and if some information is necessary I shall be pleased to translate it for you or to give some explanation and information in English.

(Page 6305 follows)

L'objet du présent rapport est d'esquisser à grands traits l'évolution économique probable de Montréal au cours des vingt-cinq prochaines années.

Certes, la prédiction de la croissance future, pour une période aussi longue, est dénuée de fondement scientifique, à cause des éléments de calcul impondérables qu'elle comporte forcément. Le progrès, en effet, ne s'effectue pas toujours en ligne droite. Pour s'en convaincre, il suffit de jeter un regard sur le passé. Ainsi, le taux de croissance décennal de la population de la Cité de Montréal fut respectivement de 26, 32, 10 et 13% pour les périodes se terminant en 1921, 1931, 1941 et 1951. Dans l'intervalle, les variations d'ordre économique furent vraisemblablement plus accusées encore.

Il s'ensuit que la prévision à longue échéance pour une aire économique restreinte est difficile à décrire au moyen de précisions chiffrées. Toutefois, en partant de certaines hypothèses sur le développement démographique, l'on peut prédire la croissance de la population de Montréal et de la région adjacente, avec un degré d'exactitude raisonnable. Sur la base de ces probabilités, il devient alors possible de supputer l'amplitude des grandes fonctions économiques. Des besoins collectifs d'ordre social ou d'un caractère économique découleront tout naturellement du mouvement d'ensemble ainsi escompté.

Les éléments les plus imprévisibles de l'avenir sont les formes concrètes de l'activité économique. Incontestablement, les données nouvelles caractérisant les courants d'avenir évoluent tellement

rapidement qu'il importe d'abord de mesurer avec discernement l'échelle de grandeur de l'expansion actuelle à l'aide de facteurs judicieusement analysés. Ici, encore, l'on peut se référer à certains faits inhérents à la concentration grandissante du milieu ambiant pour apprécier l'évolution économique de la métropole.

La Cité de Montréal étant intégrée dans la région circonvoisine, son destin est étroitement lié à celui de l'ensemble. L'avenir de la Cité doit donc être étudié en fonction de l'expansion prévue de la région.

C'est ensuite un bref examen des forces économiques de Montréal et de la région montréalaise.

On ne saurait trop souligner l'importance économique de Montréal, dans le cadre géographique provincial et national. La métropole du pays est un pôle d'attraction en même temps qu'un centre de rayonnement. De ce fait, le mouvement d'activité émanant du milieu même s'élabore à un rythme progressif pouvant être utilisé comme unité de comparaison ou de mesure pour l'avenir.

Les prévisions, par leur caractère nettement aléatoire, ne peuvent s'établir qu'en raison de ce qui existe et de ce qui a été accompli. Les suppositions acceptées procèdent d'un raisonnement logique étayé sur des faits connus.

Il suffira donc d'exposer et d'analyser ici quelques ten-

dances capitales. On ne peut selon toute vraisemblance tabler sur une activité économique d'avant-guerre, période où le ralentissement général était évident et où les habitudes du consommateur étaient différentes. La période immédiate d'après-guerre ne saurait satisfaire non plus aux exigences de prémisses économiques acceptables. C'est une période que l'on doit qualifier d'anormale en ce qu'elle constitue une phase de mise au point pour l'ensemble de l'économie canadienne.

Les tendances plus récentes, par exemple, celles des années 1949-1954, malgré l'inflation et le niveau élevé des manifestations matérielles, sembleraient mieux esquisser l'image des perspectives montréalaises pour les prochaines années.

Comme l'essor matériel atteint son niveau le plus intense, partout sur le continent nord américain, au sein des grandes agglomérations urbaines, il est à présumer que la métropole va continuer de grandir au rythme progressif des dernières années. Pour Montréal et la région environnante, l'expansion observée depuis quelque temps ne marque pas un palier exceptionnel ou la fin d'un cycle inusité, mais bien le prolongement d'une période active concordant avec la poussée générale de l'ensemble du vaste territoire canadien.

Les perspectives sont envisagées avec un optimisme empreint de modération, car il n'y a pas lieu de prévoir un abaissement important de l'activité économique montréalaise. Il faut comprendre, en effet, qu'un trop grand nombre d'éléments de contrôle ou de normalisation influence de plus en plus et de façon presque sys-

tématique les destinées de Montréal comme les perspectives futures du Canada. Ainsi, par exemple :

1. L'intervention croissante de l'Etat au niveau social (v. g. allocations familiales, pensions de vieillesse, prestations d'assurance-chômage, etc.)
2. L'intervention constante ou possible de l'Etat au niveau économique même, aide diverse;
3. Nécessité reconnue d'une politique de défense nationale dont les dépenses accaparent une partie imposante du revenu fédéral, alimentent et alimenteront une section importante de l'industrie canadienne, ce, pour une période indéfinie;
4. Le crédit au consommateur d'une amplitude croissante, facteur important d'activité générale;
5. Le syndicalisme ouvrier, force de plus en plus dominante à tous les niveaux de vie et dont les revendications influencent l'orientation économique du pays.

Ce sont là quelques considérations principales qui soutiennent l'hypothèse d'une prospérité économique à longue échéance. D'autres forces stabilisatrices exercent aussi, présentement, une portée considérable sur la structure économique du pays. On peut les résumer au groupement de synthèse suivant :

1. Le Canada participe à la migration des courants de commerce et des facteurs d'équilibre international de l'Europe vers le continent nord américain où se trouve concentrée la plus puissante organisation industrielle de l'histoire;
2. Le Canada bénéficie, en plus, de la poussée continentale vers le nord parce qu'il devient un important fournisseur de matières premières, surtout de métaux essentiels à l'industrie moderne dont les sources s'épuisent rapidement aux Etats-Unis;

3. La province de Québec, en particulier, est avantageusement placée par suite de l'abondance de ses ressources minérales associées à la présence d'énergie hydro-électrique, à bon marché;

4. Le Canada en participant au relèvement des pays sous-développés aide à l'industrie nationale dont les produits sont dirigés sur des marchés normalement fermés. Cette politique constitue un soutien parfois indirect à la production;

5. Le Canada est devenu un pôle d'attraction pour l'immigrant étranger, de sorte que, l'entrée de nouveaux venus augmente le marché de consommation intérieur.

Montréal, située au carrefour des voies naturelles de raccordement, restera le lieu de convergence, l'aboutissement naturel de la production à destination des marchés intérieurs de l'est ou des ports étrangers. Ainsi, la matière brute de plus en plus abondante provenant des gîtes disséminés à travers la Province, se déversera, comme maintenant au point de rencontre du Saint-Laurent avec la route des Grands Lacs. Dans l'avenir, après le parachèvement de la voie maritime, Montréal aura donc une prépondérance encore plus accentuée comme axe de gravitation achalandé. Dès maintenant, la présence de métaux convoitée par l'industrie dans plusieurs régions du Québec prédestine la région économique de Montréal à un épanouissement matériel encore plus rapide que par le passé.

En raccourci, la croissance de Montréal a été accélérée et continue, dans tous les domaines, depuis 1945. Cette expansion s'est accomplie conformément au jeu des lois d'urbanisation:

a) Saturation démographique graduelle des secteurs

nouveaux et décrépitude physique des anciens quartiers à forte densité humaine;

b) Refoulement ou déversement démographique, industriel et commercial vers les espaces de banlieue.

Les tendances économiques futures accentueront davantage, d'abord :

l'importance de la Cité proprement dite comme centre commercial, financier et industriel de convergence et de rayonnement;

ensuite :

à un moment donné, la Cité ne pourra plus accroître tellement son inventaire physique, devra soutenir son influence psychologique au moyen d'améliorations d'un caractère fonctionnel (voies d'accès, viaducs, autostrades, espace de stationnement, etc.);

enfin :

le coeur ou noyau central de la Cité, devra subir des transformations, rénovations et réfections afin de conserver sa puissance d'attraction sur les centres urbains environnants.

Par contre, il est bien logique de penser que les communautés urbaines satellites croîtront, à leur tour, à un rythme rapide, au triple point de vue démographique, industriel et commercial. A mesure que s'élargira la zone extérieure d'habitation par la croissance des îlots de peuplement, les relations d'inter-dépendance économique de la région se consolideront davantage.

Montréal occupe un espace géographique que l'histoire et l'expérience nous présentent comme très propice aux développements les plus variés. Il nous paraît bien rationnel de souligner certaines

causes évidentes d'expansion future et d'insister d'une façon un peu plus particulière sur d'autres facteurs favorables à l'épanouissement de la Métropole canadienne durant le prochain quart de siècle.

Suit ensuite une étude démographique comme facteurs économiques de base. Il y a là des renseignements extrêmement intéressants sur la situation démographique de la cité de Montréal elle-même et de la région, et l'évaluation qu'il y a lieu d'en tirer pour les prochaines années.

C'est ainsi qu'après avoir établi des constatations sur les mouvements de population et les amortissements de population au cours des derniers trente ans, il est permis d'établir que ces taux, s'appliquant à la population de Montréal, on obtient alors les résultats suivants .

Maintenant, à la page 4 de ce secteur, cette section de l'étude démographique, où l'on voit que la population de Montréal en 1961 serait de 1,205,000, en 1971, de 1,385,000, et en 1981 de 1,565,000.

Cependant, il faudrait tenir compte du fait qu'à mesure que la ville se remplit, les citoyens seront de plus en plus poussés à s'établir en banlieue. De sorte que, des accroissements d'environ 160,000, 145,000 et 130,000 semblent plus vraisemblables, ce qui ramènerait la population aux chiffres suivants :

1961 : 1,180,000

1971: 1,325,000

1981 : 1,455,000

Ces chiffres ne sont pas très éloignés de ceux qu'on trouve dans le Rapport de la Commission de Transport de Montréal.

Le rapport prévoit une population de 1,160,000 en 1961 et de 1,290,000 en 1971. Les experts qui l'ont préparé ont tenu compte des facteurs suivants : croissance récente de la population; terrains de construction domiciliaire disponibles; expansion industrielle probable; installations portuaires et services de chemins de fer; topographie de la ville; moyens de transport présents et futurs.

Il est intéressant en tout cas de constater que la capacité de croissance de la population de la Ville de Montréal est encore plus forte : sans migration, elle serait capable de donner à Montréal sa population maxima (environ 1,500,000 habitants) entre 1970 et 1975. La population maxima à laquelle il vient d'être fait allusion est le résultat des travaux du Service d'Urbanisme de la Cité de Montréal. En se basant sur le règlement de la construction domiciliaire et sur nos propres plans, ce Service a pu évaluer l'accroissement futur de la population, par arrondissement.

Au point de vue de l'immigration, les caractères en sont définis : L'accroissement naturel, l'immigration étrangère et aussi l'immigration provenant des régions rurales, d'où l'on voit à la

page 12 de ce chapitre l'inventaire démographique futur pour la région montréalaise, pour les années 1961, 1971 et 1981.

Dans le grand Montréal, 1,903,000, la région économique, 1,958,000; et dans un rayon de trente milles, 2,267,000, pour 1961.

Les chiffres pour 1971, le grand Montréal 2,458,000, la région économique, 2,522,000, et dans un rayon de trente milles, 2,887,000.

THE CHAIRMAN :

You are going to keep well ahead of Toronto.

Mr. Jean Drapeau :

I would not be surprised.

Et pour 1981, le grand Montréal 3,047,000; la région économique, 3,120,000; et pour un rayon de trente milles, trois millions et demi.

Comme corollaire à l'estimé de population précédemment exposé, remarquons que si le "vieillissement" de la région montréalaise s'avère moins intense que pour la ville elle-même, il ne demeurera pas moins très sensible. Disons que ce vieillissement se produira si la tendance passée continue à se faire sentir, ce qui est probable. Mais si, par exemple, la fécondité et la nuptialité se maintenaient au niveau actuel, il serait beaucoup moins sensible. D'après

nos hypothèses, l'accroissement de la population d'âge scolaire serait de près de 50%, celui de la population active 80% et celui des personnes âgées serait voisin de 100%.

Le mémoire contient ensuite une étude des perspectives industrielles.

Comme il a été mentionné au chapitre précédent, le processus d'urbanisation implique un synchronisme évident et naturel entre le déplacement humain et les déplacements industriels et commerciaux en bordure de l'aire centrale.

Montréal assiste donc depuis environ 15 ans à une relocalisation de ses industries, anciennes ou nouvelles, déplacement qui le plus souvent a provoqué l'épanouissement presque spontané de villes satellites. On peut affirmer en somme qu'il s'est produit une décentralisation industrielle. Cependant, ce n'est pas une décentralisation au niveau provincial, mais simplement au niveau régional.

La décentralisation au niveau régional constitue un des phénomènes de maturité urbaine et fait que Montréal, dans ses relations économiques d'avenir commandera non seulement les activités manufacturières de ses cadres administratifs mais encore une expansion industrielle accélérée de la région économique, voire mieux, du territoire à rayonnement de 30 milles,

On peut dès maintenant prévoir que par rapport à la région économique, par exemple :

1. L'industrie de la Cité proprement dite continuera de croître à un rythme plutôt modéré et qu'elle épuisera probablement les quelques virtualités d'expansion physique qui lui restent;
2. L'industrie de la Cité proprement dite perdra de son importance relative, ce, à un rythme très accentué. D'ailleurs, on assistera avant peu d'années à un certain équilibre de production entre la Cité proprement dite et l'ensemble des villes satellites;
3. L'industrie de l'ensemble des villes satellites dépassera en importance l'industrie de la Cité proprement dite et cette supériorité s'amplifiera sans cesse dans l'avenir.

Un bref examen du comportement de l'industrie manufacturière depuis 1935 permettra de mieux apprécier la justesse des prévisions ci-devant exposées :

Suivent ensuite des statistiques que messieurs les commissaires aimeront étudier, et qui sont au soutien des prévisions que nous venons d'exposer. C'est ce qui permet de conclure d'ailleurs, à la page 5 de cette section, que l'importance de l'industrie manufacturière de la périphérie égalera celle de la cité dans vingt ans, soit vers 1975.

On a affirmé il y a un instant que si la décentralisation industrielle de Montréal s'était produite au niveau régional, elle ne s'était pas cependant manifestée au niveau provincial. Qu'il suffise, en effet, de reconstituer les faits succincts de la concentration montréalaise.

Ensuite, en page 6, on verra la concentration de la

main d'oeuvre, le nombre d'employés, tendances d'avant-guerre, tendances récentes, et ensuite le deuxième tableau comporte l'importance de la valeur brute, également pour les tendances d'avant-guerre et les tendances récentes, et ensuite signalons d'autre part les tendances relatives à la cité elle-même, à la page 8, les tabulations données au tableau A, les employés de manufactures, B, la valeur brute de la production, et à la page 9 l'industrie manufacturière de la cité même, continuera, selon toutes probabilités et en vertu des tendances manifestées durant ces 20 dernières années, de perdre de son importance relative dans le cadre provincial. Les perspectives d'avenir nous engagent à regarder plutôt la Région Economique montréalaise dont l'importance n'a pas fléchi au cours de la période étudiée. Si la valeur de production de cette dernière trahit quelques légères faiblesses de comportement (tendances récentes) il faut voir là l'indice d'une situation très lointaine où le reste de l'industrie manufacturière provinciale aura gagné du terrain sur Montréal. Ceci pourra survenir lorsque l'exploitation de certaines ressources naturelles, entraînant une grande industrie de transformation, aura atteint un stade de maturité beaucoup plus avancé et que d'autres régions industrielles naîtront. La décentralisation industrielle à très longue échéance peut être encore prévue si l'on considère que, les autres centres d'au moins 50,000 âmes sont susceptibles de grandir à un rythme appréciable. Il faut, en effet, reporter l'échéance de la décentralisation industrielle sur une très longue période. L'actif comme les virtualités de Montréal sont trop imposants et une période de 25 ans ne suffira pas à atténuer la prépondérance de la Métropole.

Bref, l'importance relative de la main-d'oeuvre manufacturière et de la valeur brute de production de la Région Economique montréalaise entrevue au cours des deux dernières décennies ne peut que raffermir les prévisions d'une situation favorable pour la prochaine période de 25 ans.

L'examen du phénomène économique suivant apporte d'autres données intéressantes sur l'avenir industriel de Montréal :

Vous avez donc ensuite un tableau sur l'industrie manufacturière, valeur brute de production calculée par employé.

Le phénomène ci-devant exposé nous rappelle encore une fois l'essor croissant de la banlieue. Cependant, la statistique nous présente un fait très intéressant, à savoir, que la banlieue reçoit une industrie d'un caractère de productivité fort différente de celui de la Cité même. La même statistique laisse deviner en même temps qu'une industrie d'un caractère nouveau s'est localisée en périphérie. La Cité même n'aurait donc pas tellement transformé ou renouvelé son inventaire manufacturier.

On pourra faire allusion, ici, à l'industrie très importante de la confection, toujours vulnérable au facteur transport. Elle ne pourra guère déborder ses cadres primitifs et devra demeurer en rapport immédiat avec son marché traditionnel et prestigieux.

Les faits comme l'expérience vérifient d'ailleurs l'avancé :

1o. que l'industrie nouvelle, à caractère de production massive, s'établit en banlieue. Cette industrie provient parfois d'un déplacement de l'industrie primitive située dans la Cité même;

2o. que l'industrie nouvelle en raison de son architecture moderne et fonctionnelle exige plus d'espace qu'autrefois et trouve dans la périphérie l'emplacement qui satisfait aux deux besoins: architecture et espace;

3o. que l'industrie lourde (chimique, métallurgique, etc.) pour des raisons évidentes, recherche les terrains de banlieue.

La Cité d'ailleurs, par le manque ou par la cherté du terrain disponible se refuse et se refusera à toute addition industrielle de quelque envergure; autre facteur qui favorise pour l'avenir la création et l'importance de l'industrie en banlieue.

Les grandes tendances énoncées plus haut aux paragraphes 1o, 2o et 3o, sont définitivement amorcées et indiquent clairement pour la Région Economique montréalaise les modalités de son développement industriel futur.

L'expansion récente survenue à la Rive sud de Montréal et accompagnant les développements de la Canalisation du Saint-Laurent confirme les perspectives industrielles de la Région Economique. Elle constitue en même temps un indice très éloquent de la fortune économique de Montréal et marque une étape nouvelle non seulement pour la Région mais pour la Province toute entière. Les énormes richesses minières du Québec auront provoqué, en effet, un déplacement industriel vers l'est canadien. Montréal sera favorisée par ce déplacement parce qu'elle deviendra le centre où se conjugueront toutes ces activités nou-

velles prévues pour un délai relativement court.

Au cours de ce grand mouvement industriel amorcé au sud de Montréal depuis ces derniers temps, on a relevé la présence de deux immenses projets sidérurgiques localisés à Varennes et dont la réalisation est imminente. Ces développements métallurgiques confirment les prédictions exprimées par les milieux de l'acier à l'effet que la Province de Québec devrait logiquement hériter d'industries nouvelles de base. Les facteurs d'une telle expansion se résument comme suit :

1o. Pour des raisons d'économie, l'aciérie doit se localiser à proximité des gisements de minerai de fer;

2o. Les ressources de minerai du centre continental (à proximité de Pittsburg et des Grands Lacs) ne sont plus susceptibles de très grands développements;

3o. La Province de Québec présente des éléments favorables en tous points à l'éclosion d'une industrie métallurgique de grande envergure:

a) Les dépôts de minerais (fer, titane, cuivre, etc.) s'avèrent d'une abondance et d'une diversité pour le moins extraordinaire.

L'Amérique du Nord s'alimentera de plus en plus à ces débouchés nouveaux, par suite de l'épuisement progressif des sources américaines;

b) L'énergie électrique disponible ou à développer est très abondante et constitue un facteur très important d'expansion métallurgique;

c) Enfin la voie maritime du Saint-Laurent, la plus belle avenue commerciale au monde, facilite et facilitera de façon singulière l'écoulement de matières premières ou de produits métallifères vers les marchés extérieurs (comme par exemple marché américain) ou même intérieurs (Canada).

Si le Québec se destine à un avenir industriel spectaculaire parce que satisfaisant pleinement aux exigences de l'industrie lourde, Montréal ne peut que participer directement à ce formidable essor que l'exemple de Varennes laisse présager. Les cadres économiques de la Métropole en seront d'autant élargis et seront, au cours du prochain quart de siècle, activement assujettis à l'orientation nouvelle que prendra le marché canadien. Ce dernier, pour les raisons déjà exposées, est appelé à se déplacer du centre continental vers les régions du fleuve Saint-Laurent.

Vous avez ensuite au mémoire les corollaires aux perspectives industrielles, d'abord la main-d'oeuvre. Messieurs les commissaires liront sûrement avec intérêt le développement de ce corollaire de même que du deuxième corollaire, la puissance hydro-électrique, que l'on trouve à la page 20 de cette section du mémoire.

L'on prétend que la main d'oeuvre joue un rôle important, mais que la puissance hydro-électrique en joue un non moins important, de sorte que le mémoire développe ces deux corollaires.

Et nous poursuivons ensuite, au bas de la page 21, un inventaire suivant l'activité commerciale de l'agglomération montréalaise. C'est une appréciation des tendances actuelles et prévisibles.

Le chapitre précédent précisait le rôle de l'industrie dans l'équilibre économique de Montréal et de la région satellite. En fait, il existe une relation d'étroite interdépendance entre le régime de production d'une part et le débouché commercial de l'autre. Inutile de

rappeler que le débouché commercial accompagne l'expansion démographique. Rattaché à l'échelle urbaine, le commerce a subi, à l'instar de l'industrie, un essor d'une ampleur inusitée. Voici comment on peut traduire brièvement l'ascension commerciale de l'agglomération montréalaise.

Les tableaux que vous trouvez à cette première page de cette section, de ce rapport, sont très éloquents: Commerce de détail en millions de dollars, commerce de détail ensuite établi en augmentations enregistrées d'un recensement à l'autre. On n'y voit au deuxième tableau qu'il y a une augmentation de la cité d'un premier recensement au recensement précédent de 6.8%, alors que le dernier recensement nous permet de constater qu'il y a une augmentation de 156%; la région économique, 172.9% et la région économique moins la cité 288.1%.

Ensuite, à la page 2 de cette section, un petit tableau de 1930, 1941 et 1951, démontrant les valeurs des ventes en pourcentage, établissant l'importance de la cité par rapport à la région économique, d'un recensement à l'autre.

Une courte digression permettra un rapprochement fort intéressant. En effet, l'importance de l'industrie manufacturière de la Cité par rapport à la Région Economique se résumait comme suit :

En 1933	82.3%
En 1951	68.1%

Ainsi les deux situations, industrie et commerce, définies sous l'aspect décentralisation, nous amènent à des conclusions brutes, à savoir :

- 1o. qu'une décentralisation commerciale au niveau régional de Montréal existe, et
- 2o. qu'en comparaison avec la décentralisation industrielle, la décentralisation commerciale a été beaucoup plus lente.

Une mathématique un peu hardie traduirait bien cette déperdition d'importance commerciale de la Cité même au sein de la Région:

Au niveau régional, la Cité même, en l'espace de 18 ans, a perdu 17% de son importance industrielle; en 21 ans, elle a perdu seulement 8% de son importance commerciale.

On peut donc déduire qu'au niveau régional la décentralisation industrielle s'est produite à un rythme deux fois plus accéléré que la décentralisation commerciale. Cependant, les facteurs qui ont provoqué la déconcentration industrielle sont différents et se confinent par-dessus tout à un déficit d'expansion physique existant dans la cité mais absent à la périphérie.

Les conditions inhérentes à la décentralisation commerciale sont d'un autre ordre en ce qu'elles comportent des éléments psychologiques de grande importance et en ce que la Cité, depuis 20 ans, a pu maintenir une certaine souplesse d'accessibilité dans ses rapports commerciaux avec la région satellite. Comme nous le verrons plus loin, nous prévoyons les possibilités d'un changement radical pour les années à venir. La dernière décennie d'expansion démographique

(1941 - 1951), durant laquelle l'importance commerciale de Montréal, au niveau régional, a subi un recul (6%) encore plus significatif qu'à la décade précédente (soit 3.4% pour la période 1931 - 1941) indique une tendance amorcée mais susceptible d'une grande amplification dans un avenir prochain. Il ne serait pas surprenant que la Cité perde à la fin certains de ses grands attributs commerciaux, ce, au même rythme qu'elle aura assisté à une décentralisation commerciale de son milieu immédiat. Nous verrons dans un instant, comment le commerce de détail s'est instrumenté de conceptions révolutionnaires pour faciliter et même engendrer, au niveau local, les échanges commerciaux de première nécessité d'un citadin transplanté dans un orbite urbain sans cesse grandissant.

L'accroissement presque incroyable de la valeur des ventes au détail recèle un caractère inflationnaire qui a pris naissance à la dernière guerre. Toutefois, la montée a été réelle, car ramenée au dollar constant de 1935-1939 (suivant l'indice des prix au consommateur,) la valeur des ventes s'est comportée de la façon suivante.

Je passerai ensuite à la page 4 de cette section, après que messieurs les Commissaires auront étudié l'autre tableau qui s'y trouve.

Cette augmentation réelle a été déterminée par les facteurs suivants dont on peut dire qu'ils continueront d'inspirer le caractère évolutif général ainsi que l'accroissement futur des activités commerciales de l'agglomération montréalaise.

Il y a d'abord :

A) L'influence indiscutable de l'accroissement des revenus sur le niveau de vie;

B) L'influence indiscutable des progrès techniques sur le niveau de vie;

C) L'influence indiscutable sur le niveau de vie des changements survenus aux habitudes du consommateur.

Montréal, dans ses échanges commerciaux, soumise à l'impulsion de facteurs favorables décrits plus haut, entrevoit l'avenir avec un optimisme qu'elle fortifie des prévisions admissibles suivantes:

a) que le haut niveau de vie observé depuis quelques années ne subira pas de régression majeure. Le prochain quart de siècle sera probablement témoin de contractions de courte durée, lesquelles par ailleurs n'influeront pas sur la tendance de longue portée;

b) que les besoins de consommation, calculés d'après les normes actuelles, subiront une courbe ascendante proportionnelle aux facteurs de croissance démographique. (On suppose de plus que le niveau des prix restera sensiblement le même);

c) que de nouveaux besoins naîtront forcément au fur et à mesure que les techniques industrielles évolueront. Dès lors le marché régional atteindra des paliers encore plus élevés;

- d) que le crédit à la consommation comme à l'habitation persistera, ce, dans les limites qu'un contrôle judiciaire de l'Etat lui aura assignées;
- e) que le Canada demeurera une terre d'avenir de même qu'un foyer d'appel pour les migrants étrangers, de sorte que le nombre de nouveaux venus augmentera au lieu de diminuer;
- f) que la formule nouvelle du centre d'achats consacrera de façon définitive la décentralisation au niveau régional, ce, à l'avantage de l'expansion commerciale des territoires satellites.

Le phénomène apparent de la décentralisation commerciale de Montréal au niveau provincial vaut la peine qu'on le décrive par la statistique suivante.

Suivent des tableaux que je me dispense de citer car il est toujours ennuyant de citer des chiffres, et messieurs les commissaires les trouveront aux pages 7 et suivantes.

Ainsi le comportement de la Région Economique durant la décade 1941- 1951 nous laisse entrevoir pour l'avenir un ralentissement de la décentralisation commerciale de Montréal au niveau provincial. Si cette décentralisation est attribuable en partie à l'essor des comptoirs postaux exploités par les grands magasins à rayons, elle s'arrêtera, semble-t-il, sous l'influence compensatrice d'une expansion commer-

ciale nouvelle devant survenir à la périphérie montréalaise par l'application d'une formule nouvelle : le centre d'achats.

L'admission d'un calcul scientifique pour déterminer la valeur des ventes au détail sur une échance de 25 ans, nous paraît hypothétique. Cependant, faisant abstraction de l'influence possible de nombreux facteurs régissant le rythme de vie économique, nous pouvons toujours risquer quelques chiffres, très approximatifs d'ailleurs.

Ce sont ces chiffres que l'on retrouve à la page 9, et qui sont groupés sous la description : "Tendances récentes du commerce de détail à Montréal".

Il y a à Montréal, et même dans la périphérie, il y a dans la région métropolitaine de 1943 à 1954.

Depuis douze ans, la progression des ventes du Grand Montréal accuse une augmentation égale à \$84,000,000 par an. Si l'on admet, comme valeur constante applicable à l'avenir, ce taux moyen de croissance, l'on obtiendra dans vingt-cinq ans, soit pour 1981, un commerce global de près de \$4 milliards. Cette somme représente un coefficient d'achat par tête légèrement supérieur à la consommation enregistrée, en 1954.

La portée réelle d'une telle prévision est liée à la dispersion commerciale grandissante au sein de l'agglomération régionale depuis l'apparition récente des centres d'achats. Ce courant, encore à ses débuts, prendra des proportions considérables comme l'on pourra

s'en rendre compte à l'examen de la carte ci-annexée sur laquelle sont réperés les centres d'achats réalisés, ceux en voie de construction, ou simplement projetés à brève échéance.

Ces groupements de magasins, construits sur de vastes emplacements dans les quartiers domiciliaires nouveaux ou dans les municipalités satellites, répondent à un besoin économique engendré surtout par la congestion urbaine. Les concentrations de ce genre sont un peu le prolongement des super-marchés alimentaires du centre de la ville dominés par les entreprises à succursales multiples. La formule apporte un élément rationnel approprié aux habitudes actuelles de consommation.

Vous avez la carte indiquant, comme je l'ai dit tantôt, les centres d'achats qui existent et les autres qui sont en construction ou qui sont projetés.

Plusieurs hypothèques aussi plausibles les unes que les autres se présentent à l'esprit concernant l'avenir réservé aux centres d'achats de la région suburbaine. Néanmoins, seules deux alternatives principales retiendront notre attention en raison de la topographie particulière du territoire inter-urbain. En effet, des lignes de démarcation naturelles constituées par des obstacles physiques divisent les zones d'habitation les unes des autres. En conséquence, au lieu d'être conditionné par un plan d'exécution continu, le développement domiciliaire s'est accompli simultanément dans toutes les directions à la fois, laissant de vastes espaces libres ici et là, à l'intérieur même

du cadre de la Cité et des faubourgs suburbains. Il s'ensuit que pour prévoir l'orientation des centres d'achats, il faut absolument tenir compte des facteurs suivants :

- 1) Sauf, dans les vieux quartiers, l'utilisation du sol à des fins d'habitation au lieu de former un agglomérat compact se compose de fractionnements parsemés de vastes espaces libres;
- 2) Les frontières est et ouest de l'Ile de Montréal sont séparées par une distance qui ne permet pas de desservir efficacement les deux pôles extrêmes à partir d'une même concentration commerciale du moins en ce qui concerne les denrées de consommation quotidienne;
- 3) L'insuffisance des ponts de raccordement cause un engorgement favorable à l'établissement de zones commerciales régionales susceptibles de satisfaire les besoins immédiats des petites communautés riveraines;
- 4) Les deux réseaux de chemin de fer divisent également la Ville à certains endroits avec leurs circuits de ceinture motivés par la topographie spéciale de l'Ile;
- 5) Enfin la montagne située en plein centre de Montréal est un autre obstacle qu'il faut contourner.

Les incidences énumérées ci-dessus inclient à penser que dans l'avenir les centres d'achats vont se multiplier à travers le territoire, comme les projets d'établissement signalés sur la carte régionale semblent l'indiquer, au lieu de se concentrer en deux ou trois endroits stratégiques.

Je passerai ensuite au chapitre suivant : "Les perspectives d'expansion économique appréciées dans leurs répercussions" et particu-

lièrement à l'entête "Les besoins".

Les facteurs de croissance comportent évidemment des répercussions aux différents niveaux de la vie montréalaise. Ce sera maintenant notre tâche de situer, au moyen d'une brève analyse, certaines conséquences d'importance capitale en fonction de l'expansion générale prévue.

La grande dépression et la dernière guerre ont empêché les pouvoirs publics d'augmenter l'équipement en services publics, au rythme commandé par la croissance de la population et par l'élévation des niveaux de vie.

Le déficit d'équipement communautaire, accumulé pendant une période longue de près de quinze ans, n'a pu être que partiellement résorbé au cours des dix années d'après-guerre, alors que la population et ses exigences continuaient à croître. Le retard dans la satisfaction des besoins collectifs pèse encore lourdement dans le programme de travaux à effectuer au cours des vingt prochaines années. L'augmentation des revenus de la population et l'élévation de son niveau culturel appellent, d'ailleurs, un équipement communautaire de plus en plus évolué.

Ici, j'ouvre une parenthèse qui sera une référence au mémoire soumis par la Cité à la Commission Tremblay, dans lequel il est établi que la Cité de Montréal est en arrière de six cent millions en travaux publics. Alors, dans les besoins, il y a à souligner, le logement.

L'habitation apparaît donc comme la première répercussion naturelle de l'expansion démographique. Il importe de souligner toutefois que si le déplacement populeux en banlieue a fatalement engendré une construction domiciliaire active, la disponibilité de logements par contre a favorisé l'achalandage démographique. Il est vrai que l'agglomération urbaine traversant un stade de maturité a donné à l'utilisation du sol une géographie et un caractère différents. C'est d'ailleurs le thème général de l'occupation future du territoire urbain. Examinons rapidement le caractère évolutif du mouvement domiciliaire montréalais.

1. Avec la dernière grande guerre se termine une étape définitive de l'occupation du sol urbain. Les préoccupations actuelles d'esthétique, d'hygiène et de confort, mises de l'avant par les urbanistes modernes, ont aboli le mode traditionnel d'occupation qui existait, par exemple, avant l'année 1939. Les tendances actuelles laissent donc prévoir pour l'avenir:

a) Une utilisation très rationnelle du sol;

b) Une densité urbaine relativement moins élevée qu'autrefois puisque la concentration démographique, en vertu du caractère de l'habitat, se propagera en horizontale, et non plus en verticale;

c) Une très grande élasticité et très grande flexibilité d'expansion de l'agglomération urbaine.

2o. Le phénomène de saturation évidente survenue de la Cité même devait normalement rejeter à la périphérie une population en quête d'espace disponible et à bon marché. L'accroissement des facilités de transport et de communications de la périphérie vers le centre ont également favorisé les tendances d'occupation. On soupçonne déjà l'importance primordiale de la relation habitat / transport en fonction de l'expansion urbaine.

3o. Depuis quelque dix ans le mode d'occupation

domiciliaire a nettement changé. L'apparition du logement unifamilial est due à trois causes principales, soit : le haut niveau de vie, l'aide financière de l'Etat et le souci d'urbanisme. Selon une conjecture raisonnable, la tendance au logis unifamilial exprime une caractéristique prépondérante de l'habitat future. L'agglomération urbaine prendra donc une physionomie différente à mesure qu'elle grandira. La ligne de démarcation entre la Cité et ses satellites ne sera que plus évidente. D'ailleurs, la Cité, en raison de ses disponibilités physiques moins nombreuses, se prête moins bien et, dans un avenir assez rapproché ne se prêtera plus aux réalisations de vastes projets d'habitations unifamiliales;

40. L'intervention de l'Etat, en favorisant la construction domiciliaire, facteur important de prospérité, a donné à la propriété privée le caractère très souhaitable d'accessibilité. Elle a donc satisfait aux besoins d'un niveau sélectionné de la population. Toutefois, le problème du logement en fonction des besoins de la masse ouvrière, bien qu'étudié et discuté depuis longtemps, n'a pas encore reçu de solution énergique et acceptable. Le logement ouvrier constitue donc la proposition d'avenir par excellence pour l'agglomération montréalaise. On se rappellera que l'expansion future implique un important réservoir de main-d'oeuvre, donc un besoin correspondant de logement ouvrier.

C'est pourquoi si l'on parle du logement ouvrier, il existe et il existera toujours pénurie de logements puisque le logement ouvrier implique un loyer modique. Or, les perspectives économiques entrevues sous leurs répercussions sociales appellent une solution certaine pour les raisons que voici :

10. La propriété à logements multiples est devenue, depuis la guerre, une proposition très intéressante par son caractère de grande rentabilité. Or, à l'occasion d'une demande énorme accumulée et non satisfaite, ainsi que de l'augmentation générale des prix, le logement à loyer modique est forcément disparu. Le logement nouveau, souvent de caractère

antisocial, d'un loyer très élevé, n'est plus guère accessible à la masse;

2o. Le caractère rentabilité de la propriété à logements multiples explique :

a) l'exode démographique aux confins même de la Région Economique;

b) le surpeuplement notable de certains secteurs du centre urbain montréalais.

Tout porte à croire, cependant, que la rentabilité de la propriété à logements multiples subira un abaissement éventuel à mesure que se prolongera l'expansion domiciliaire de périphérie;

3o. Le caractère de rentabilité du logement actuel, de même que le degré actuel d'accessibilité de l'habitation uni-familiale doivent donc susciter pour les gouvernements des responsabilités et des engagements à brève échéance.

C'est pourquoi, bien qu'il constitue un équipement privé, le logement, par son caractère de nécessité sociale, préoccupe grandement les autorités de la Cité.

La dépression et la guerre ont donné lieu à une pénurie de logements qui n'est encore qu'imparfaitement résorbée.

L'on a estimé, pour la Cité même, le besoin de logements nouveaux à quelque 5,700 annuellement, en se basant sur l'accroissement annuel moyen du nombre des familles entre 1941 et 1951. Ce chiffre inclut le remplacement des immeubles vétustes de plus de quatre-vingts ans. Le chiffre de ces derniers a été évalué à quelque 23,000 en 1953, ce qui suppose un nombre considérable de logements.

Le rythme élevé actuel de la construction résidentielle, soit d'environ 10,000 par an depuis 1950 résorbe rapidement le déficit antérieur. Le besoin de logements adéquats est toutefois loin d'être comblé. L'on estime à quelque 25,000 le nombre de logements défectueux ou inférieurs.

Le nombre de logements dans la Cité était, en 1951, de 258,031. Si l'on se base sur l'espace disponible et sur les normes résidentielles en vigueur, l'on estime à quelque 415,000 le chiffre ultime des logements à Montréal. Selon l'évaluation plausible de la population, ce chiffre pourrait être atteint vers 1981. La concurrence des faubourgs influencera, toutefois, le rythme de la construction résidentielle dans la Cité. L'attrait de l'habitat suburbain dépend, entre autres, de la commodité des voies d'accès au centre administratif, commercial et industriel de la Cité.

Pour répondre à l'accroissement prévu de la population de Montréal au cours des vingt-cinq prochaines années, on peut estimer de la façon approximative suivante les besoins correspondants de logements, et l'on trouvera l'hypothèse que la Cité soumet à la lumière des hypothèses spécifiées.

A la lumière des hypothèses énoncées on peut soutenir la prévision suivante touchant l'importance numérique vraisemblable du ménage montréalais en fonction de l'expansion démographique future.

L'on trouvera le tableau pour la Cité elle-même et pour

le Grand Montréal.

En outre, c'est notre impression que, pour une période indéfinie, l'importance numérique du ménage montréalais ne fléchira guère après 1971.

Pour clore ce chapitre, qu'on nous permette certains calculs relatifs au nombre des mariages, important facteur de formation des ménages. Le récent comportement du phénomène démographique des mariages se résume comme suit.

Et l'on trouvera aux pages 7 et 8 des tableaux intéressants quant à cette étude sur les mariages.

Une deuxième répercussion quant aux besoins se trouve au chapitre "Les écoles".

L'éducation participe aux tendances d'une société moderne surtout évolutive. L'organisation rationnelle, la spécialisation, la compartimentation de plus en plus poussées de l'activité du peuplement demeurent plus apparentes, plus manifestes lorsqu'on les analyse en fonction de l'agglomération urbaine. Malgré la jeunesse encore très perceptible du pays canadien, l'urbanisation du territoire, dont on prévoit dès maintenant le rythme plus accéléré pour les prochaines décennies, rend le témoignage non équivoque d'une société montréalaise déjà engagée vers une nouvelle étape de maturité.

L'exécution du rythme de croissance prévue implique

pour Montréal des facilités éducationnelles indéniables. Celles-ci satisferont d'autant mieux aux perspectives des nécessités qu'elles auront été calculées en fonction des tendances favorisant l'accroissement de la fréquentation scolaire;

10. Un niveau de vie plus élevé assurant au chef de famille de meilleures disponibilités financières pour l'instruction et l'éducation de ses enfants;
20. Un souci accru de la responsabilité et du bien être sociaux chez un individu en quête de sécurité, de prestige et de succès, tel que le prévoient les concepts de l'homme moderne accompli;
30. Une concurrence évidente sur un marché du travail relatif aux occupations non-spécialisées, concurrence favorisée surtout par l'immigration rurale et les conditions de pauvreté défavorables à la fréquentation scolaire;
40. Une demande à satisfaire pour des occupations nées des progrès scientifiques et de l'énorme diversité des marchés alimentés par l'industrie;
50. Des conditions de plus en plus exigeantes pour l'admission des postulants aux différentes occupations;
60. Une diminution éventuelle de l'importance numérique du ménage, favorisant une instruction et une éducation plus complète;
70. Enfin, les facilités éducatrices déjà offertes par les différents gouvernements.

Bref, les prévisions d'expansion montréalaise suscitent d'énormes besoins éducationnels à combler.

L'accroissement rapide de la population juvénile depuis dix ans et le désir de plus en plus répandu de l'instruction se sont heurtés à une insuffisance aigue de locaux et de personnel qualifié. Ici encore,

la demande d'équipement social augmentera plus que proportionnellement à la population. Il est heureux que celle-ci se montre de plus en plus exigeante à l'égard du système éducatif. Sa culture et sa capacité économique future en dépendent. Il est probable et souhaitable que la durée moyenne des études se prolonge, ainsi que cela s'observe en Europe. Dans ce cas, il y aurait lieu de prévoir une expansion de l'équipement et du personnel au niveau secondaire.

Suit ensuite une étude de statistiques sur la population de Montréal et sur la population à l'école.

Je passerai à la page 7 de cette section, au chapitre intitulé "Indications quant aux besoins éducatifs futurs de Montréal". On y trouve d'abord un tableau qui comporte les estimés de la population fréquentant l'école. On voit que pour la population prévue en 1981, la cité elle-même, selon un pourcentage approximatif de seize pour cent applicable à la population, qui est une probabilité admissible, pour la cité de Montréal, 232,000; le Grand Montréal 488,000; la région économique 499,000, et pour un rayon de trente milles de Montréal, 563,000.

Les pages qui suivent décomposent les chiffres que l'on trouve à la page 8 de ce tableau sur l'enseignement primaire, l'expérience des années 1949, 1950 et 1951, pour la cité proprement dite.

A la page 9, messieurs les commissaires trouveront

un intéressant tableau, mais celui-là pour la période de 1954-55, de la Commission des Ecoles Catholiques de Montréal. On voit que la moyenne d'élèves par classe est de $31\frac{1}{2}$.

Je passerai ensuite à la page 12. Messieurs les Commissaires auront étudié les chiffres qu'ils trouveront aux pages 10 et 11, et au début de la page 12.

Il est vrai que nos prévisions s'inspirent dans tous les cas d'une situation un peu idéale, celle d'une société dont les besoins peuvent sembler évolués et satisfaits. Les calculs ont toutefois le mérite de fixer un ordre de grandeur. Certes, des éléments d'ordre administratif, par exemple, les disponibilités financières et le recrutement d'un personnel enseignant compétent, peuvent toujours exercer une influence limitative et infirmer de sérieuse façon la situation idéale préconisée.

On voit également à la page 13 un bref corollaire aux besoins éducationnels : L'équipement culturel et récréatif.

Les développements récents permettent d'envisager la réalisation prochaine d'une salle de concerts pour Montréal. Les milieux intéressés souhaitent et favorisent depuis longtemps la création d'un équipement communautaire important, à la fois culturel et récréatif. L'événement est significatif puisqu'il témoigne, pour l'agglomération montréalaise, de besoins psychologiques accumulés non satisfaits. La création d'une salle de concerts consacre en même temps la nécessité

de nourrir et de soutenir certains éléments inhérents à la vitalité du peuplement montréalais. Tous reconnaissent et reconnaîtront alors le caractère extensif des nécessités culturelles et récréatives à la faveur d'une expansion démographique de grande envergure. Le problème de l'équipement culturel et récréatif invite une solution d'autant plus énergique et souhaitable que le calcul des besoins s'inspirent et de l'expérience immédiate nous informant d'un déficit déjà existant et de l'expérience future nous informant d'une expansion certaine à tous les niveaux de la vie économique.

On peut prévoir l'influence favorable de certains facteurs déjà mentionnés. Puisque la fréquentation scolaire ou le niveau éducationnel de la population alimente un niveau culturel et artistique correspondant, il s'ensuit que le calcul des besoins culturels se prévaut de tendances génératrices qui sont sensiblement les mêmes. Ainsi, l'équation éducation / culture se mesure avant tout suivant les normes du niveau de vie de la population, bien que l'on puisse craindre dans la société moderne l'influence parfois prépondérante de l'élément récréatif aux dépens de l'élément culturel.

Il semble bien, fait d'ailleurs prouvé par l'expérience, que l'Etat ou les gouvernements soient obligés d'assumer une commande plus importante d'initiatives visant à doter la population de facilités culturelles plus abondantes, plus complètes et plus satisfaisantes. La proposition culturelle ne paraît pas ou n'a pas paru apporter à l'entreprise privée la récompense financière anticipée. L'entreprise privée

se complaît beaucoup mieux d'ailleurs aux réalisations sportives ou récréatives. En somme, c'est la préoccupation d'esthétique, de civisme, etc., qui inspirent le mobile culturel et récréatif de l'Etat ou des gouvernements, mobile éminemment social, qui n'exclut pas automatiquement l'intervention privée.

Ainsi, Montréal, comme première ville française d'Amérique, se doit de promouvoir l'activité artistique et récréative. La proposition culturelle et récréative se présente aux autorités gouvernementales sous les perspectives de lacunes actuelles à combler et d'énormes besoins anticipés. Comme les manifestations culturelles font partie des activités de rayonnement, les populations rapidement croissantes des faubourgs et des territoires satellites dépendront de la Cité de Montréal pour la satisfaction de leurs besoins culturels. Le rayonnement culturel de Montréal repose évidemment sur des virtualités et des disponibilités que seules des institutions adéquates doivent assurer.

Une autre répercussion se trouve au chapitre des hôpitaux. Ce sont les mêmes caractères qui produisent la création des répartitions, et messieurs les commissaires trouveront à ce chapitre des renseignements très intéressants et sur lesquels se fondent les conclusions ou les attitudes que la Cité prend dans son mémoire.

L'expansion démographique entraîne naturellement des besoins hospitaliers correspondants.

L'hôpital est une institution susceptible de très grand rayonnement. Parce que, la plupart du temps c'est la ville qui lui a donné naissance, l'hôpital répondant sur place aux besoins aussi vastes que diversifiés de la masse, a fini par assumer des fonctions aussi complètes que possible, ou encore, il s'est consacré à une spécialisation qu'il n'a cessé de combler et d'améliorer. Ainsi, l'hôpital est venu ajouter aux caractères prestigieux de l'agglomération urbaine. Rapportée au milieu urbain qui nous intéresse présentement, l'expérience nous enseigne, en effet, que Montréal est devenue un centre médical à rayonnement régional et provincial. Aussi les perspectives de développement pour les vingt-cinq prochaines années invoquent-elles d'énormes besoins hospitaliers à satisfaire : besoins locaux d'abord et besoins découlant de l'influence de rayonnement. Comme les derniers besoins s'avèrent d'une interprétation ou d'une appréciation quelque peu aléatoire, les besoins locaux ou même régionaux, d'une évaluation plus facile, plus rapide, méritent notre attention particulière.

A la page 4 de cette section sur l'étude des hôpitaux, l'on voit que des calculs relatifs aux besoins futurs paraîtraient apporter des explications sur la puissance de rayonnement des services hospitaliers de Montréal. Il y a là un tableau qu'il serait inutile de lire ici, mais sur lequel messieurs les Commissaires s'arrêteront.

Si l'expansion démographique prévue doit se traduire par une équivalence normale de besoins hospitaliers, il importe, toutefois, de souligner qu'une société évoluée se prévaudra de plus en plus

des services hospitaliers mis à sa disposition. L'hôpital, soumis à une utilisation intensive beaucoup plus considérable qu'autrefois, visera à une plus grande perfection de ses services et accroîtra son efficacité de rayonnement. Par voie de conséquence, les barèmes définis selon l'expérience actuelle, seront susceptibles de changements appréciables. Ainsi, se vérifieront pour Montréal des besoins hospitaliers dépassant les besoins théoriques déjà calculés. Ce sont là, en effet, des prévisions qui s'inspirent des tendances générales suivantes capables de conférer à l'hôpital une extension plus grande de ses services.

A la page 6, on voit enfin comme chaque lit d'hôpital nécessite un investissement d'environ \$15,000 (normes établies par expérience), on peut décrire brièvement ce que représenteront l'ensemble des besoins théoriques futurs, en supposant que le coût unitaire d'investissement restera sensiblement le même au cours des prochaines années.

Suit le tableau de statistiques :

Comme les possibilités d'expansion pour hôpitaux ou institutions du genre seront de plus en plus limitées dans la cité même, il faut prévoir que le déficit d'équipement hospitalier survenant à la Cité sera comblé par les réalisations des territoires satellites.

Le Canada, dans son diagnostic de croissance ex-

traordinaire du XXe siècle, discerne les symptômes actifs et plus précis de tâches humaines s'élargissant sans cesse à la surface de territoires nouveaux. Montréal, à l'exemple de toutes ces grappes d'entassement réparties à travers le pays, se présente à nous comme la plus grande manifestation type d'un état endémique.

Ce sera maintenant notre tâche impérieuse de retracer de la manière la plus succincte possible les témoignages les plus représentatifs des répercussions du phénomène de croissance sur le plan administratif.

Et nous entrons dans une appréciation des perspectives et des répercussions économiques sur le plan administratif municipal.

On peut vraiment prétendre que la Cité subit la répercussion de problèmes originaux. Il semble en effet, que toute agglomération urbaine de quelque envergure devient tôt ou tard la proie des transformations internes ou de perturbations violentes par suite de son énorme accumulation humaine. Montréal soumise à une expansion toujours plus effrénée, doit donc ressentir, en vertu de son importance, les attaques d'un mal plus grave. Si la nature a comblé la Métropole de prodigalités économiques diverses, l'élément humain, toutefois, de façon consciente ou non, s'est intéressé à des réalisations que le temps a fini par traduire en sources de gêne et d'insuffisance.

Une simplification élégante du problème administratif

nous invite à définir le caractère des répercussions du point de vue social au sens large.

Les répercussions du phénomène de croissance urbaine pour l'administration de Montréal sont évidemment nombreuses. En raison même de la multiplicité et de la variété des problèmes en cause, il nous paraît logique d'exposer brièvement ceux qui présentent un caractère d'urgence indiscutable et de souligner, s'il y a lieu, les autres de moindre importance.

Il y a définition de l'aire centrale.

Si l'on s'en rapporte à une carte montrant la structure chronologique de l'agglomération montréalaise, on pourra localiser l'aire centrale comme étant cette surface bâtie en 1907. C'est le noyau d'origine de Montréal et son occupation date d'au moins 265 ans. C'est un territoire dont la majeure partie se trouve resserrée entre le Mont-Royal et le fleuve Saint-Laurent.

En résumé le problème administratif de Montréal comporte l'urgente nécessité de rénover et d'aérer l'aire centrale de la Cité. Tous les problèmes existent et exigent une solution en fonction de cette nécessité. En somme, l'aire centrale constitue le territoire de convergence et de rayonnement de toutes les activités montréalaises aux niveaux régional, provincial et national. L'influence de Montréal dépend donc, pour son accroissement et sa perpétuité, des principes de vitalité génératrice que doit conserver l'aire centrale.

Et l'on voit également quant aux répercussions le problème du logement quant à ses répercussions sur les besoins administratifs.

Montréal dans l'exercice de ses fonctions industrielles et commerciales a développé un immense marché de travail dont l'attraction continuelle et grandissante a provoqué et provoquera l'affluence non seulement de la population rurale mais encore de la population étrangère. L'élément démographique d'affluence constitue donc un complément à la masse ouvrière déjà grossie en vertu de son propre accroissement naturel. La masse ouvrière implique un besoin non satisfait d'habitations :

Un besoin réel :

10. parce que la masse ouvrière, partie composante la plus importante de la population et dont le gain général atteint tout au plus des proportions moyennes est sans cesse en quête d'habitations convenables et à bon marché, et

20. parce que l'initiative visant à satisfaire les besoins d'habitation ouvrière ne peut venir de l'entreprise privée qui est intéressée avant tout à une propriété actuellement très rentable.

Par conséquent, la satisfaction des besoins ouvriers de l'habitation implique des réalisations à caractère social et doit préoccuper les autorités de la Cité.

Il y a là un besoin chronique établi à la page 5, et selon nous, semblable au problème de la circulation. Je pense que chacun

a pu constater de visu plus facilement l'importance du problème de la circulation qui n'est pas plus grand que celui du problème du logement, qui échappe plus peut-être à certains groupes de la société, mais je pense que le problème de la circulation est un problème que tous les citoyens de Montréal et les visiteurs de la métropole constatent. Ceci est naturellement le problème des espaces libres que l'on trouve à la page 9 sous le chapitre de l'aménagement des espaces libres.

L'aménagement d'espaces libres constitue pour l'administration municipale de Montréal une autre fonction interne de grande importance. Le besoin d'espaces libres relève de deux exigences capitales: dégager l'homme et dégager le milieu. Inutile de rappeler les avantages comme les bienfaits (harmonie, embellissement, assainissement) que procure l'aménagement d'espaces libres.

La nécessité d'espaces libres est d'autant plus évidente qu'elle est rapportée à une surface d'encombrement démographique, encombrement existant depuis 20 ans dans quelque 25 quartiers de la Cité comprenant naturellement, la partie centrale et le territoire périphérique à la partie centrale.

Un inventaire des espaces libres nous informe de la situation future par rapport à la situation actuelle suivante.

C'est ce développement que vous trouverez aux pages 9 et 10 et des précisions, les cartes que vous trouverez entre les pages 10 et 11.

Suit ensuite le problème du bien-être social et ce qu'il implique pour la cité et enfin à la page 12 "Autres problèmes".

D'autres problèmes surviennent à l'administration municipale en vertu de l'influence et de l'attraction puissantes qu'exerce la Cité. Ce sont, pour ainsi dire, des problèmes hors cadre. Considérés selon les prévisions d'une expansion générale considérable, ils seront susceptibles d'une incidence remarquable puisqu'ils entameront à divers degrés les disponibilités financières de la Cité.

L'achalandage de tous genres, venu de l'extérieur, et se traduisant par des manifestations incessantes et multiples engendre une extension appréciable des services municipaux. De fait, l'autorité centrale sert deux populations : celle de passage et celle de la surface administrative. Attribution naturelle et normale propre aux grandes agglomérations urbaines.

Par conséquent, il nous importe de souligner quelques problèmes connexes aux grands problèmes déjà résumés.

L'incendie et la police : la population d'achalandage bénéficie à tout instant de la protection du Service des Incendies et du Corps Policier de la Cité.

La Santé, les loisirs, les marchés publics, enfin une quantité d'autres services établis par la Cité (v. g. ponts, circulation, stationnement, etc.) facilitent et favorisent les activités de la population de passage. On pourra encore indiquer les problèmes d'importance que comportent les relations et les engagements de la Cité vis-

à-vis les municipalités satellites. Par exemple, le traitement des eaux polluées est un important problème d'avenir qui concerne l'administration municipale de Montréal et la région métropolitaine.

Il est indéniable que les problèmes connexes de la Cité, raccordés aux prévisions de l'expansion générale, recevront une application plus extensive et accroîtront les responsabilités de l'administration municipale.

Puisque la réalisation prochaine d'un Centre Civique semble devoir se confirmer bientôt, il importe de souligner quelques nécessités touchant l'administration de très près :

Un hôtel de ville où toutes les activités et les opérations administratives seraient centralisées, contribuerait non seulement à l'efficacité des services mais encore à une économie financière appréciable.

A l'heure présente plusieurs services importants occupent plusieurs immeubles. L'immeuble central, l'Hôtel de Ville actuel, ne répond guère aux exigences et se refuse à toute occupation additionnelle.

L'expansion de la Cité, sous ses diverses formes, amènera nécessairement une extension encore plus marquée des services publics.

L'ANNEXION possible de certains territoires limitrophes semble devoir se poser. On peut donc prévoir que l'organisation des surfaces acquises créera des charges additionnelles importantes pour l'administration municipale.

La concentration urbaine, phénomène bien difficile à arrêter, soulève, on le prévoit, des problèmes de divers ordres. Les

individus qui s'entassent exigent pour leur existence et leurs activités, la création de services publics de toute nature. Ces services comportent, inutile d'insister, des dépenses considérables. L'autorité publique de la Cité de Montréal doit donc, par des disponibilités financières adéquates, satisfaire aux principes traditionnels de l'épanouissement de l'homme et du milieu soumis à l'expansion.

Dans un mémoire précédent adressé à la Commission Tremblay, l'administration municipale a déjà exposé son problème financier que nous résumerons ici sous deux tableaux.

Et suivent les tableaux qui sont extraits ou un résumé du rapport Tremblay que nous annexons au présent rapport comme en faisant partie, et nous en venons aux conclusions générales.

Montréal est située au carrefour de quatre routes naturelles dirigées vers l'Océan, les Grands Lacs, le sud via le Richelieu-Hudson, et le nord-ouest via l'Ouaouais. L'importance relative de ces routes varia dans le passé. Ainsi, la rivière Ottawa fut importante au début de la Colonie, pour le commerce des fourrures; aujourd'hui son rôle est effacé. En fait Montréal est aujourd'hui le point de rencontre de la navigation fluviale vers les Grands Lacs et de la navigation maritime.

En plus de sa fonction de lieu de transbordement, Montréal constitue un site propice à l'industrie lourde. Les voies navigables acheminent les matières premières à peu de frais. Les produits fabriqués sont utilisés sur place ou expédiés en toutes directions

principalement par chemin de fer. Des industries légères se sont ensuite ajoutées aux industries de base pour approvisionner le marché de consommation local et aussi le reste du pays, comme l'illustre l'industrie du vêtement.

La vie économique de Montréal s'est ainsi progressivement émancipée de sa dépendance à l'égard de la fonction de transbordement nécessaire. Ce rôle premier et fondamental ne représente aujourd'hui qu'une minime partie de l'activité globale.

C'est pourquoi Montréal envisage l'achèvement de la canalisation du Saint-Laurent sans inquiétude. Bien que l'incidence précise de cet aménagement n'ait pas encore été complètement étudiée, il semble que le nouveau canal maritime n'entamera pas les forces expansives de la région de Montréal.

Il est vrai que l'avantage comparatif de Montréal par rapport aux sites industriels des Grands Lacs diminuera. Mais si l'on envisage le problème dans son ensemble — c'est-à-dire si l'on tient compte de tous les facteurs de localisation industrielle qui joueront dans le futur, la croissance de Montréal ne semble pas en danger. En voici quelques raisons :

- 1) Le Canada dans son ensemble, et la Province de Québec, en particulier, sont en expansion. Certes, les rythmes régionaux de croissance sont inégaux. Il se peut que la perte d'un avantage relatif de localisation, en l'occurrence du rôle de terminus de la navi-

gation maritime , diminue le rythme de croissance comparativement à ce qu'il aurait pu être autrement. Mais la perte d'un avantage comparatif de localisation ne peut impliquer une contraction absolue de l'activité économique de la métropole. Il n'est d'ailleurs pas démontré que le canal maritime n'aura qu'une incidence négative sur Montréal.

2) De nouveaux facteurs d'expansion joueront bientôt et compenseront grandement les désavantages relatifs que le canal maritime pourrait causer à Montréal. D'une part, le développement minier considérable en cours dans la Province de Québec, principalement dans l'Ungava, donnera naissance à des industries transformatrices qui auront avantage à se localiser dans la région métropolitaine; d'une part, Montréal deviendra la base d'approvisionnement des régions nouvelles. L'occupation quasi complète des sites disponibles pour l'industrie sur la rive nord de l'Ile de Montréal, et la construction du canal maritime, expliquent la multiplication récente des projets d'établissement industriels sur la rive sud du Saint-Laurent.

Des intérêts français, allemands et américains ont acquis de vastes sites sur la rive sud, en vue de l'établissement d'industries d'affinage de métaux, d'aciéries, et de produits chimiques. Comme par exemple des investissements actuellement en cours, on peut mentionner les quais de transbordement de l'Iron Ore Company of Canada à Contrecoeur.

3) L'aménagement de plus en plus probable d'un canal qui relierait les fleuves Richelieu et Hudson, ouvrirait une voie

navigable directe vers New York. L'incidence de tels travaux devrait encore être étudiée. Il semble a priori que l'exécution d'un tel projet amènerait de nouvelles possibilités d'expansion pour la région Sorel-Montréal.

Il n'est pas possible de préciser les rythmes d'expansion de tous les éléments du complexe économique aussi varié que constitue la région de Montréal. L'on peut toutefois entrevoir l'avenir avec confiance. La croissance de la région métropolitaine n'est limitée par aucun facteur naturel. L'industrie a déjà débordé des limites de l'île. Elle s'étendra de plus en plus sur les vastes espaces de la rive sud du fleuve. Les prévisions des accroissements de la population, basées sur les tendances démographiques récentes ne pourront être déjouées par une croissance économique insuffisante.

Si l'expansion économique ne peut être enrayée par des facteurs naturels ou démographiques, elle peut néanmoins être freinée par l'insuffisance d'équipement communautaire. Le présent rapport a mis en évidence la disproportion entre la croissance économique et démographique des quinze dernières années et l'expansion retardée des services publics. L'on se trouve actuellement en présence d'une série de goulots d'étranglement (des bottlenecks) notamment en matière de voirie, de transports en commun, de ponts, d'écoles, d'hôpitaux pour malades mentaux. Le problème majeur qui s'impose aux autorités publiques qui régissent la région métropolitaine est celui de combler la déficience d'équipements sociaux léguée par la grande dépression et la guerre. Ce problème est d'autant plus aigu que la population et ses

revenus continuent de croître rapidement.

De nouvelles exigences ne cessent de s'ajouter aux besoins accumulés non encore satisfaits. Les autorités municipales se rendent compte du rendement social élevé d'investissements publics qui auraient pour effet de réduire l'écart entre les normes des équipements sociaux et celles du confort privé. Malheureusement, l'exécution de ces projets de haute utilité sociale est entravée par l'insuffisance de ressources financières.

Merci.

(Page 6380 follows).

THE CHAIRMAN: Well, Mr. Mayor, I am sure that all the members of this Commission will agree with me when I say that we are very grateful to you for this most interesting and thoughtful brief. Quite obviously a great deal of work has gone into its preparation and we are grateful to you and to your associates for the long hours as well as the thought that has gone into it.

We have been impressed as we have gone across Canada by the excellent briefs which have been submitted to us by the mayors of the principal cities and as we expected, yours is amongst the best of those submissions.

Now, we would like to ask you a good many questions about this brief but I fancy that most of us will want to study it before doing so. However, there may be one or two questions that some of the members of the Commission would like to put to you now.

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(Page 6382 follows)

M. Lussier :

Monsieur le Maire, vous comprendrez que l'importance de votre mémoire, de même que le supplément que vous nous exposez, par le mémoire que vous avez préparé pour la Commission Tremblay, ne nous permet pas de vous poser des questions, je dirais raisonnables, ce matin. Cependant, il y a une question que je voudrais poser, et qui n'est peut-être pas très importante, mais qui semble pour moi d'une importance vitale pour la ville de Montréal.

C'est son caractère d'insularité. Vous avez une ville située sur une île, même sur deux îles, vous avez l'Île Jésus - ce caractère d'insularité doit poser des problèmes spéciaux, et qui contribuent à rendre plus dispendieuse votre administration, et en même temps le développement des régions ou des villes satellites.

Maire Jean Drapeau :

J'ai passé par-dessus le chapitre de la circulation. C'est surtout à ce chapitre que l'on trouvera un court résumé du problème qui se rattache à la question que monsieur le Commissaire me pose.

Il est évident que Montréal étant une île, ça pouvait être avantageux à certains moments; ça devient véritablement un problème, parce que s'il est facile et relativement peu coûteux d'établir des voies de communications nouvelles sur la terre ferme, ça devient prohibitif lorsqu'il s'agit d'établir ces voies de communications par-dessus les divers cours d'eaux, et de plus en plus en-dessous des cours d'eaux.

Il est reconnu que l'administration de Montréal s'intéresse davantage aux voies de communications sous-marines, mais l'un des problèmes, l'une des répercussions que la canalisation du Saint-Laurent apporte à Montréal, je dirai que Montréal peut envisager la construction d'un tunnel sous le Saint-Laurent, et qu'il doit envisager ce moyen de communication de plus en plus, mais qu'il en envisageait au moins la construction d'une voie, mais avec la construction des travaux de canalisation, il voit le coût d'un tel tunnel augmenter en flèche.

La profondeur ne peut pas être la même, et les voies d'entrée et de sortie ne sont pas où elles auraient été sans la canalisation.

De sorte que lorsque dans un mémoire officiel de la cité il a été dit que les travaux de canalisation, si ça apporte dans l'ensemble ce que nous voulons croire être des avantages, ou que la cité de Montréal pourra tirer avantage de la canalisation comme voie maritime, cela comporte également une hypothèque, cela crée un préjudice à bien des points de vue qu'il n'est pas toujours facile d'établir actuellement.

Mais il faut nécessairement envisager des moyens de communication, des ponts nouveaux et des tunnels sous le Saint-Laurent, parce que la tendance du développement économique, à cause précisément peut-être de cette voie nouvelle maritime, se fera sur la rive sud. Il est facile, je pense, de prédire qu'il y aura un dévelop-

pement de la rive sud qui fera que d'ici quelques années ce sera une population, ou des petites villes qui s'échelonnent les unes les autres depuis Laprairie jusqu'à

Il y aura là une population qui atteindra des chiffres considérables. Ça implique une communication beaucoup plus active entre la rive sud et Montréal, d'où des moyens de communication qui posent un problème financier très considérable qu'il faudra résoudre, je pense bien, par un concours absolument actif des autorités fédérales, provinciales et municipales.

Ce n'est pas la faute de l'Ile de Montréal ou de la ville de Montréal si elle est construite sur une île; seulement, je pense bien que c'est l'intérêt de tout le pays, et l'intérêt de la province que Montréal reste le centre important qu'il constitue, et il faudra bien que tôt ou tard le problème soit admis - non plus discuté, non plus étudié, mais admis par les autorités fédérales et par les autres villes du pays.

Les autres villes du pays ne devront pas envier les attitudes ou je ne veux pas employer le mot "aide" parce que ce n'est pas nécessairement de l'aide, mais le concours, la coopération que le gouvernement fédéral, par exemple, croira devoir apporter, et devra croire apporter un jour pour régler certains problèmes qui sont à Montréal et qui n'ont pas la même importance, qui n'ont pas la même signification ni les mêmes caractères dans d'autres villes.

Il ne faudrait pas, et je pense que c'est peut-être

un voeu que j'exprime en ce moment, et qui devrait être porté à la connaissance de tout le pays, - que des citoyens de tout le pays, quelle que soit la ville qu'ils habitent, ne se croient pas moins bien favorisés par les autorités fédérales si un jour les autorités fédérales croient devoir apporter à telle solution d'un problème montréalais un concours qui ne s'imposerait pas au même degré à d'autres coins du pays.

Ce sont des problèmes que je ne suis pas surpris de voir signalés par monsieur le Commissaire. Ils sont bien réels, il faudra bien qu'il y ait des solutions d'espèces à cause d'une situation d'espèces.

M. Lussier :

Probablement que vous touchez ce problème-là dans le mémoire?

Maire Jean Drapeau :

En résumé, mais je suis sûr que dans le mémoire que nous soumettons à la Commission Tremblay, messieurs les commissaires trouveront une foule de renseignements extrêmement intéressants que nous aurions inclus dans ce mémoire-là, s'ils n'étaient pas déjà inclus dans l'autre.

(Page 6385-A follows)

MR. GRAUER: Mayor Drapeau, your very interesting analysis of the problem of the City and of the region and of the projection of those problems ends up, I note, that you are incapable by insufficiency of financial reserves to meet them. Do you have any particular views on how that difficulty might be overcome?

MAYOR DRAPEAU: Well, the Commissioners will find in the brief submitted to the Tremblay Commission, answers to that question. May I say that what the City of Montreal needs, of course, is to have problems that are considered problems of Montreal, that those problems be considered as problems of the metropolitan Montreal so that it will facilitate the co-operation of the Provincial authorities and also co-operation from the other municipalities on the fringe of the city. Also, my personal view on this subject is that sources of revenue should be constitutionally granted to cities of Canada and, as far as Montreal is concerned, the City of Montreal. There should be sources of revenue that belong to cities and additional sources of revenue not only coming from a field that is reserved to the provinces but also because the field reserved to the provinces has been narrowed with time. The figures you will find in the Tremblay report will show you the very, very low percentage of the total of taxes or revenue that is left to the province and left to the city in comparison with the sources of revenue that the Federal authorities are keeping. So we consider that there should be sources of revenue that are municipal and the City of Montreal would need

additional sources of revenue.

MR. GRAUER: Have you any particular views as to which particular sources would be appropriate for a municipality?

MAYOR DRAPEAU: It is very hard for me to give a resume of what is in this Tremblay report. I would not like to direct the Commissioners on the wrong track or to cease development half way. The gentlemen of this Commission will find in this 300 page brief, information that answers these questions. I would not like to start. I have been warned that everything I say is on tape and there are newspapermen and I would not like that any particular problem I would refer to would be considered of most importance to the Mayor of Montreal. We consider that the whole problem is important and that every word that is found in this report is important. So I would ask your permission not to start on the answer to this question.

MR. GUSHUE: Mr. Mayor, the possibility of keeping the St. Lawrence open in Montreal as a winter port came before us at another place. Has there been any study of it as a possibility and the economics of it and so on?

MAYOR DRAPEAU: This problem is being studied now. Less than a year ago the new administration of the city established a new Montreal bureau under the direction of Mr. George Mooney and this bureau is the St. Lawrence-Montreal bureau. This Bureau, is, by the city, charged with the study of all the problems and possibilities of the St. Lawrence. Montreal is a product

of the St. Lawrence River and we have now constituted a Bureau which is developing itself, making the proper studies and we are not yet prepared to take any final stand on this question. The same thing with making Montreal harbour a free port. Those questions are under study but we should be in a position pretty soon to make the views of the city known on this subject.

THE CHAIRMAN: Mr. Mayor, I think what you said to Mr. Grauer is very pertinent, that there is a 300 page submission to the Tremblay Commission which we have not yet had an opportunity of studying and I think we should probably do that before we put more questions to you but I would like to say again how very grateful we are now for this really excellent submission.

Thank you very much.

MAYOR DRAPEAU: I reiterate my thanks. We are very, very happy to co-operate, as you know, and if at any time when the Commission has studied our two briefs or our one brief we can furnish any more information, you only have to write to ask and we will be only too glad to do so.

THE CHAIRMAN: Thank you very much.

--- Recess

--- After Recess

THE CHAIRMAN: Well, gentlemen, I think we might come to order. The next submission which we will mark Exhibit 181 is from the Primary Textiles Institute and Mr. Crabtree, the President, will present it. We are all set.

MR. CRABTREE: Thank you, Mr. Chairman.

Gentlemen: On behalf of the Canadian Primary Textiles Institute, I am pleased to submit the following brief for your consideration. Also, I would like to express the appreciation of our members for the opportunity to be heard on the important matters which are the subject of your inquiry.

I might say I have some preliminary remarks after which I will come to the brief itself.

The Industry - The Canadian primary textile industry comprises those establishments engaged in manufacturing or preparing textile fibres - cotton, wool, silk and the various synthetics -- and in spinning, weaving, felting, knitting, dyeing and finishing these fibres and the products made from them.

The industry does not include the further processing of primary textiles by the garment and other secondary textile industries. While there are a number of consumer products which originate in the primary industry, such as sheets, blankets, towels, knitwear, hosiery and carpets, its chief function is to supply materials to other industries, particularly the secondary textile industry.

Primary Textiles Institute - The Primary Textiles Institute represents all forms of the primary industry by having as its members the Canadian Woollen & Knit Goods Manufacturers Association, whose mills are primarily engaged in the production of wool textiles and all types of knitted goods, the Silk and Rayon Institute comprised of producers of fabrics and synthetic fibres, and the Cotton Institute of Canada, whose members

produce mainly cotton textiles.

There are matters common to all members, and it is within this area that the Primary Textiles Institute functions. But production of the whole range of primary textiles naturally requires a large, complex industry, and no one can be expected to have complete knowledge of the entire industry. For this reason I would like to note that among the industry witnesses whom I understand you have invited to appear here today there are some who represent industry groups in addition to their own companies.

I would now merely like to discuss some of the salient points in the industry's submission, explain some of the factors affecting our thinking, and express a few thoughts concerning Canada's economic future. Naturally, I will try and answer questions, but it may be necessary to refer some questions on specific subjects to some of the other executives.

Role of Manufacturing in Canada's Future -

During the past 25 years there has been an increase of 53 percent in the Canadian population, and it appears most probable that this trend will continue - perhaps by a further 50 percent by 1975. It is a statistical fact that the number of young people coming into the labour force will increase rapidly as soon as the increased post-war birth rate arrives at working age. These people will be out looking for jobs at a greatly increased rate in another five years.

Manufacturing has assumed a greater role in employment during the past two decades, having risen

to provide 26 percent of civilian jobs in 1951 as against 18 percent in 1931, so that more people are now engaged in manufacturing than in any other industrial group in Canada. It would seem that this trend will continue and that the jobs needed over the next 20 years will best be provided by manufacturing, and its dependent industries.

Manufacturing is the industry into which the greatest amount of our increasing labour force must move, not only to meet expansion, but to provide the variety of employment needed to make our population most fully productive. It is becoming more apparent that the most dependable market for the Canadian producer of any type of products is the domestic market. Two world wars have taught us that manufacturing capacity is a basic munition of modern warfare and in this uncertain world we must remain prepared.

It is a proud position to be the world's largest per capita trader, but the consequence is an exposure to world-wide economic currents which can have a greater impact in Canada than in their country of origin. Recessions and depressions will undoubtedly occur in other countries and communicate their effects to Canada by reducing demands on, or increasing competition with, our export industries, and by increasing pressure on domestic industries competing with imports.

Exports must decline in their importance relative to our whole economy. This is a trend which has already become impressive. In the late 1920's our exports of goods and services were 30 percent of our

Gross National Product; in recent years it has been 24 percent; by 1975 it will be down to 20 percent.

There is a world-wide trend (e.g. Paley report) toward diminishing natural resources. Canada is fortunately rich in many of these resources but some of them are wasting as in minerals, and cannot be replaced. Such products will diminish in export availability, as surplus to the needs of rising domestic demands. Under these conditions Canada should not feel impelled to bargain away the position of domestic manufacturing and foster competing imports, as a means toward further developing export of our natural resources to world markets where the demand for them will rise in any event.

The employed Canadian working man is by far the largest and most dependable market for the products of the Canadian farmer. As the number of manufacturing jobs increases so will demand on farmers, and on all extractive industries. The key to Canada's future is in a growing, profitably employed labour force.

It is our belief that this growth will best be served by maintaining a closer internal balance between manufactured and non-manufactured goods, and between manufactured imports and exports, rather than by basing our economic policies upon sales abroad of agricultural and raw materials, balanced by imports of manufactured goods. At present one of our most discouraging exports is the steady flow of skilled and trained Canadians to U.S. industry.

It is characteristic of all manufacturing industries that there is a high value added to raw materials

processed in terms of the output of each worker employed. For this reason manufacturing, in general, makes a significantly greater addition to the Gross National Product in terms of the values produced per worker, than such industries as forestry, agriculture and fishing.

The result is a higher level of national spending power and standard of living than would otherwise exist and this is a result that the textile industry is able to achieve in common with other Canadian manufacturing industries.

Canada's aim for the future should be to obtain a supportable maximum in population growth which will reduce her exportable surpluses, and at the same time will secure the maximum return for the processing of her resources.

These beneficial effects will follow to the extent that Canada adopts trade policies which are sufficiently flexible to provide the minimum necessary support for manufacturing industry, by adjustments as circumstances alter. Rigid trade policies which contemplate revisions in only one direction cannot continue to serve if manufacturing is to grow, as it should, in reasonable balance with an expanding economy. Given such policies, the textile industry will be able to make significantly greater contributions to the nation.

Textile Industry in Canada's Future -

Canada's primary textile industry has had a long history and has grown to become one of the country's leading manufacturing industries.

We estimate that the Canadian demand for

clothing in 1975 will reach a total of \$2,230 million in terms of present values, which means a market $2\frac{1}{4}$ times the present size. We also estimate that the other important markets for our products -- the industrial and household textile markets -- will grow at about an equal rate.

Given the same share of this potential market as we have now, and assuming that the present trend of rising man hour productivity continues, the direct employment required by the industry in 1975 will be about 119,000 persons, as compared with the 80,000 people employed now.

However, the Canadian industry is at present supplying only 57 percent of the total Canadian fabric market. Therefore, the maximum employment potential of the industry by 1975 could be of the order of the number required to supply all the Canadian market, or about 182,000. This again assumes rising productivity. In addition to this direct employment there were in 1953 another 18,000 people producing the Canadian goods used by this industry and it can be assumed that this number would increase proportionately. Further, every manufacturing job creates two other jobs in such other fields as transportation, construction and services.

As was stated earlier, we believe that it is important to the future economy of Canada that productive job opportunities be available to keep pace with an expanding labour force. The job opportunities offered by the Canadian textile industry in 1975 will approach the maximum level indicated to the extent that economic policies are designed to encourage the sound growth of efficient manufacturing in Canada.

Value of This Industry -- The 1975

Canadian demand for textile products of all types will be met by Canadian production, by imports or by a combination of both.

Benefits to the economy of a national policy designed to ensure that as high a proportion as possible of this demand is met by the domestic industry should be considered in terms of whether or not a domestic textile industry can make efficient use of the nation's resources of manpower, raw materials, technology and money. If so, it is in the national interest that such a policy be pursued.

Volume and type of employment provided by the textile industry is impressive. There are 745 primary textile establishments in 218 localities in all ten provinces, and two-thirds of the industry, in terms of numbers employed, is in small centres of less than 50,000 population. The industry employs a large number of females -- 42 percent as compared with an average of 21 percent in all manufacturing industry -- and provides work for particular types of male labour not readily absorbed by other branches of manufacturing industry; for many years the industry employed more people than any other single manufacturing industry in Canada; 58 percent of the net value of the industry's products are paid out in wages; the industry employs 118 people for each million dollars of capital employed, about average for major manufacturing industries.

Textile employment is not considered seasonal, although variations do occur. However, these

fluctuations provide a uniquely useful balance to the seasonal variations in other industries in that the annual peak in textile employment occurs during those months when construction and other industries are normally experiencing a seasonal decline.

Each of these employment characteristics is particularly well adapted to contributing towards the productive use of the manpower increment which will occur in Canada over the next twenty years.

Efficiency - Capital expenditures form one of the most dynamic factors affecting employment and income levels, and are one of the important determinants of the level of industry efficiency, and economic activity within the nation. In a 10-year period total expenditures within this industry have amounted to \$570 million of which \$192 million was spent for repairs and maintenance, and \$378 million for new buildings, machinery and equipment.

Yet this has not resulted in any material increase in textile productive activity. Of the total capital expenditures about \$150 million has been invested in new synthetic fibre capacity which has resulted in raw material replacement at the primary stages of manufacture, but has not added to end-product capacity. The balance has been almost entirely used for renovation of plant and replacement of obsolete equipment to maintain productive efficiency, to secure lower unit cost per man-hour and to improve quality of the product.

The textile industry is highly efficient within the terms of the Canadian market and its products, we feel, are second to none in quality. The industry takes

full advantage of all the latest world developments in machinery and processes, and while there is no joint programme of research and development most large companies have their own research facilities, and full use is made of such facilities as are available elsewhere. As a result the industry has led the world in development of certain machinery and products.

The commendable educational activities of the Textile Technical Federation and its nine member organizations throughout the country, and the activities of the two technical schools administered by the province of Quebec and Ontario maintain a high level of technical knowledge. The industry has supported these schools from their inception, supplying machinery and money and by supporting a high percentage of students through scholarships and bursaries.

An aggressive programme of selling and merchandising is maintained within the industry. Volume of advertising is high proportionate to sales considering the fact that most of the industry's products lose their identity before reaching retail counters. Also the industry displays its wares in Canadian, U.S. and European centres to stimulate pride and interest in Canadian textiles, and to maintain contact with a valuable prewar export market which has been almost wiped out by currency and quota controls.

Present Market Position - Present position of the Canadian Primary Textile industry in the Canadian market is important in that all our calculations for our future must be based on the facts as we know them now.

The textile industry in all countries is highly competitive and diversified, and this is particularly true of Canada, due largely to the high standards of the Canadian market and the many sources from which supply is drawn. There is competition which textiles meet with other materials such as paper, wood and metals. Highest degree of competition, however, arises with the textiles of other countries imported for sale in the Canadian market.

Competition is met from the U.S., Great Britain, Europe, Japan and India. Most representative measure of the extent of this competition is the domestic market for broad woven fabrics. During the past 25 years domestic mills have faced increasing competition on a growing market and have lost ground. The 57 percent of this market now held by the Canadian industry is a reduction from 71 percent held in the period 1930-34.

Causes and Effects - The surge of postwar prosperity in Canada has carried rapidly upward the basic costs of domestic manufacturing - wages, services, plant - at a faster pace than foreign competitors. Also, the increased facilities of foreign competition - reduced tariffs, relaxed import administration, appreciation of the Canadian dollar - have all left permanent effects on international textile trade.

During recent years the wage spread between Canadian and U.S. industries has decreased, adding to the U.S. advantages of a large domestic market which allows economical mass-production. At the same time the spread between Canadian wages and those of European and Asiatic countries has increased, adding to the advantages of the low wages existing in these countries. Position of the

Canadian industry has been further impaired by the programme of extensive tariff reductions carried out by this country during the past 20 years.

Between 1950 and 1954, 69 primary textile mills closed, representing a large loss of employment in 40 different communities all the way from Nova Scotia to Alberta. In the same period the number of persons in the industry dropped by 21,000 or 22 percent, and all through the industry company earnings have been reduced, to the point of financial exhaustion in many cases.

The dangers inherent in this industry continuing to lose ground to competitive pressures from foreign countries are obvious. Yet continuation of this trend appears certain so long as such a large share of the market for the industry's products is supplied by foreign exporters, or so long as the industry is denied access to its competitors' markets.

No case can properly be made for the proposition that the Canadian industry should be the exclusive supplier to the Canadian consumer, but the fact remains that unless the present trend is reversed the textile industry will not make its important and necessary contributions to the Canadian economy.

Conclusion - it is our belief that Canada's future economic growth depends on providing useful, productive work for a growing labour force; that manufacturing will provide this work; that the primary textile industry, one of the country's leading manufacturers, should be encouraged to provide its rightful share of these jobs.

Now, the brief itself -----

THE CHAIRMAN: Mr. Crabtree, if you would like to sit down, there is no requirement to stand.

MR. CRABTREE: Thank you very much.

Our study, gentlemen, has been made on the premise of the advantages to the Canadian economy of policies designed to encourage the sound growth of efficient manufacturing industry have been examined in submissions already before the Commission. In the present study the primary textile industry will be considered in the light of these advantages and of the broad policies that have been advanced for the future well being of the nation.

This study has been made on the premise that Canada has an expanding economy which should continue to grow. Consequently, the Canadian market for textiles will continue to increase. The nature and extent of this growth is first examined to show the market opportunities which will be created over the next 20 years. Consideration is then given to the economic advantages to the nation of a domestic textile industry equipped to substantially supply these future needs. The present position of the industry is then discussed and related to the conditions necessary for its growth and development.

THE FUTURE CANADIAN DEMAND FOR TEXTILES

(a) Clothing

Since 1930 the Canadian demand for clothing, in terms of constant 1954 dollars, has increased almost one and one-half times, or from \$401 million in 1930 to \$989 million in 1954. If the years 1942-49 are excluded, due to the abnormal influences of that period,

the annual rate of growth has been 4.5 percent.

On a per capita basis, clothing sales in constant dollars, increased from \$39.30 in 1930 to \$65.20 in 1954 an average annual growth of 2.9 percent, excluding the years 1942-49.

The trend analysis used for the forecast of Canadian clothing demand has taken into account population increase and relative population shifts by age groups, family expenditure data published by the Dominion Bureau of Statistics, the character of the economy at the beginning and end of the period for which satisfactory data is available, and the levels of personal disposable income in relation to clothing sales. The methods used produce results which agree closely with the recorded facts during the 1930-54 period so that a forecast of future demand made by using these methods can be regarded as substantially accurate.

While there may be fluctuations above or below the volume of demand estimated, depending on the general level of business conditions in 1975, it appears from the trends and relationships analysed that the Canadian demand for clothing in 1975 will be \$2,230 million in constant dollar terms, or 225 percent of the level prevailing in 1954.

(b) Household and Industrial Textiles

Parallel with the growth that can be forecast in the volume of Canadian demand for clothing is the steady increase that can be expected in the demand for textile products other than clothing such as carpets, draperies, sheets, towels, and a wide range of other household

textiles. Also there are the industrial textiles required by such industries as the automotive, pulp and paper, mining, rubber, shoe, agricultural implement, medical supplies, electrical apparatus, railway and transportation, furniture, abrasive coating, construction, and many others. There is, incidentally, gentlemen, in this second to the last paragraph, on page 2 of the brief, a slight ambiguity. The first sentence of that should read:

However, a projection of the past trend of total fabric consumption in Canada for apparel, household and industrial use, taken together, indicates that the demand growth by 1975 will be only slightly less than that for apparel alone and that the market for textile products of all types in 1975 will be approximately 225 percent of 1954 levels. An expanding demand for textiles to the level indicated in 1975 of $2\frac{1}{4}$ times the 1954 consumption will be met by Canadian production, by imports, or by a combination of both.

The benefits to the economy of a national policy designed to ensure that as high a proportion as possible of this demand is met by domestic industry should be considered in terms of whether or not a domestic textile industry can make efficient use of the nation's resources of manpower, raw materials, technology and money. If so, it is in the national interest that such a policy be pursued.

THE ADVANTAGES OF A STRONG AND EXPANDING
DOMESTIC TEXTILE INDUSTRY TO THE CANADIAN ECONOMY

1. USE OF MANPOWER RESOURCES

(a) Volume of Employment

The volume of employment provided by the primary textile industry has always been impressive. Until 1954 at least one person in every fourteen employed in manufacturing in Canada worked in the primary textile industry while during most of those years the proportion of textile employment was higher. In fact, for many years prior to 1949 the industry employed more people than any other single manufacturing industry in Canada. Since 1951, while all other manufacturing employment has increased, that provided by the textile industry has decreased. That is brought out in Table 2.

In 1954, the leading manufacturing industries, by numbers employed are shown in Table 3 and you will note that the Secondary Textiles industry employs over 99,000 and the Primary Textiles industry over 76,000. Other industries such as Electrical Apparatus and other trades, 75,000, Pulp and Paper, 62,000, and so on down to Machinery, Industrial, 22,000.

(b) Geographical Distribution of Employment

While the volume of employment that can be absorbed productively by an industry is important in any assessment of Canada's future economic prospects, of almost equal importance is the geographical distribution of job opportunities offered by the industry.

The primary textile industry in Canada tends to be a "small town" industry. In 1953 it was dispersed among 218 Canadian communities of the following population

levels, that is shown on Table 4.

With two-thirds of the industry, in terms of numbers employed, located in cities of less than 50,000 persons the contributions that it has been able to make in providing employment in those smaller centres has been an important factor in their development. Whole areas, such as the Grand River Valley (Hespeler, Paris, Preston, Galt, Guelph, Brantford), the Eastern Townships (Granby, Farnham, Drummondville, Magog, Sherbrooke, Cowansville) have been developed, in large part, by textile employment.

It is a characteristic of all manufacturing industries that there is a high value added to the raw material processed in terms of the output of each worker employed. For this reason manufacturing, in general, makes a significantly greater addition to gross national product, in terms of the values produced per worker, than such other national industries as forestry, fishing or agriculture. The result is a higher level of national spending power and standard of living than would otherwise exist and this is a result that the textile industry is able to achieve in common with other Canadian manufacturing industries.

At the same time, in relation to major Canadian manufacturing industries, the textile industry is able to perform these functions with a relatively high provision of employment in terms of capital employed or in terms of value added by manufacture, as set out in Sections (c) and (d) following.

(c) Ratio of Employment to Capital Investment

In relation to capital investment the

employment provided by the primary textile industry compares with that in other Canadian manufacturing industries as follows. There then, is Table 6 which shows the primary textile industry with 118 employees per \$1 million and that goes from Bakery Products with 338 down to Beverages with 46, so that the Primary Textile Industry is approximately half way in that scale.

When examining the ratio of employment to capital investment in the primary textile industry it should be noted that there is a marked variation as between the production of primary synthetic textile materials and the balance of the industry. The production of synthetic fibres is essentially chemical in nature requiring a large investment per employee while in the spinning, weaving, knitting and finishing sections of the industry there is a large employment yield per dollar of capital employed. It is desirable that there be some manufacturing industries in the nation which can productively employ a relatively large number of people in relation to capital invested.

It is, of course, likely that future technological advances will reduce the manpower required in ratio to investment in all of these industries. However, there is nothing to indicate that such a reduction would proceed more rapidly in textiles than in these other groups. In fact, the reduction may well proceed less rapidly in textiles because this industry was one of the first to make large scale use of mechanized production techniques and the broad limits of technical improvement may have been more thoroughly explored in textiles than in newer industries.

(d) Ratio of Employment to Value added by Manufacture

Another indication of the value of an industry may be found in the ratio that wages bear to the net value of an industry's products. The 1952 figures for main manufacturing groups are shown in Table 7.

(e) Diversified Employment Opportunities

Canada's economic prospects depend, to a degree, on the provision of gainful employment for all types of manpower resources of the country and the textile industry is capable of providing this diversity. One important characteristic of employment in the textile industry is the proportion of females employed. The majority of the occupations require deftness and attention rather than any degree of strength and they are, therefore, peculiarly adaptable to the employment of women. In 1955, 42 percent of the labour force in the industry was women as compared with an average of 21 percent in all other manufacturing industry.

Another characteristic of the textile industry is that it is able to employ particular types of male labour not readily absorbed in other branches of manufacturing industry. For these reasons the employment it provides complements that offered by the heavy industries concentrated in many localities and so provides an alternative and productive means of livelihood which would not otherwise be readily available to many people.

(f) Seasonal Nature of Employment

An important feature of textile employment is the extent to which its seasonal variation complements rather than aggravates that of other industry. The fluctuation of employment on a seasonal basis has been the

subject of a study by the Dominion Bureau of Statistics covering the period from 1947 to 1954. The results of the study are set out in detail in Appendix C and, in graphic form, on Chart I.

It is apparent that textile employment exerts a levelling influence on the seasonal variations in manufacturing and in all other industrial employment. The annual peak in textile employment occurs during these months when construction and other industries are normally experiencing a seasonal decline. This characteristic is particularly important when it is linked with the complementary nature of employment in the industry and has the effect of spreading the distribution of earnings in a community more evenly throughout the year.

(g) Indirect Employment

Important as is the direct employment provided by the textile industry, the employment created indirectly in other industries and in other communities is of equal importance. There is a multitude of large and small Canadian industries which depend on the textile industry as a market for all or part of their products. There are the manufacturers of textile mill supplies -- bobbins, shuttles, reeds, needles, spools, processing oil plants, hardware companies, paper mills, box factories, printers, machinery suppliers, machinists and many other trades whose sales to textile plants are of importance. In 1953 the cost of Canadian materials used by the industry totalled about \$242 million.

If it be assumed that these materials were produced by the same proportion of labour that was required for all goods manufactured in Canada in 1953, the indirect

employment thereby provided in Canada amounted to about 18,000 persons.

In addition to the employment created by the processing of Canadian materials there is that provided in textile communities from the income generated by manufacturing. This extends through retailing, distribution, transportation, construction and the service industries and amounts to two persons for each one employed in manufacturing.

(h) Efficient Use of Manpower

It has been characteristic of the postwar growth of industry in America, and in fact in many countries, that there has been a constant demand for high grade management and technical abilities which it has not always been possible to fill. This has been the case in the Canadian textile industry which, through the recent difficult years, has been required to search out, at every level of its organizations, the means of securing the highest possible degree of management, technical and employee efficiency. The result has been a drive toward reorganization and modernization of staff, production methods, mill organization, and merchandising.

The technological abilities of textile employees are constantly being improved in many ways. To in-plant training and re-training is added the organizations of technical employees encouraged by the industry, the sponsored education provided promising students in both Canadian and foreign textile schools, and the regular flow of technically qualified people into the industry. To some extent, public knowledge of the difficulties faced

by the industry in recent years has obscured the long term growth potential of the industry and has reacted unfavourably on students considering a technical career in textiles.

In the last decade there have been marked changes in the nature of the industry's production which has resulted both from many new constructions and from the great increase in the number and variety of products. These changes tend to obscure the true trend of productivity in the industry which has been consistently upward, as would be revealed by examination of the productivity achieved in making individual products. This is the real test of productive use of Canadian manpower resources through utilization of the somewhat distinctive types of labour which are best suited to textile occupations, but not to many others which have shown spectacular growth in the postwar period.

In the data for the whole textile industry there is revealed an upward movement in overall productivity in spite of these great changes in the nature and variety of products. An approximate but reasonable measure of this increase in textile productivity can be found by comparing 1938-39 with 1953-54. In the latter period the value added by production was \$1.95 per manhour, measured in 1954 dollars. By the same measures, the value added in 1938-39 was \$1.50. This is a progressive compounded increase in average productivity of 1.8 percent per annum which, as it happens, is approximately the same as for all industry in Canada. As noted before, such general figures conceal the much greater increases in productivity measured on individual products or groups of products. The rapid advances in productivity that have already taken place will accelerate

if the economies of mass production made possible by a growing domestic market are realized.

Another significant measure of the current productivity levels of the industry would be found in comparisons with other countries if it were possible to secure accurate and comparable statistics. These are, unfortunately, not available except that a rough comparison may be made with the situation in United States by using numbers employed and values added by manufacture in the two textile industries. The latest year for which ^{that} can be done is 1953 and it shows that the average output per man per annum in Canada was \$4,550 and in U.S.A. was \$5,104. There are, of course, many qualifications which should be put on such broad figures. The more continuous machine operations in U.S. would lead to such higher values per worker but would be offset to some extent by somewhat longer working hours in Canada. There may also be important differences in the make-up of the goods produced within the two industries but, generally speaking, this difference is somewhat as would be expected considering the great differences in size and structure of the two industries. If it were possible to make such a comparison with Great Britain it would quite possibly show Canada as having greater values added per worker.

It is important to the future economy of Canada that productive job opportunities be available to keep pace with an expanding labour force. Each of the textile employment characteristics noted is particularly well adapted to contributing toward the productive use of the manpower increment which will occur over the next

20 years. The relatively large employment potential in terms of capital investment, the geographical distribution of the industry, the complementary nature of the employment provided, the influence exerted on seasonal variations in employment in other industries, all combine to provide a large employment potential of a character, and in locations where it can make a valuable contribution to future Canadian prosperity.

2. PROCESSING OF CANADIAN RAW MATERIALS

There is also within the industry a stable market for the products of the synthetic fibre branch. These fibres supply new and alternative raw materials to all of the other branches of the textile industry which they have organized themselves to use without creating any major dislocations within the industry. Synthetic fibres and yarns have undoubtedly taken the place of raw cotton and raw wool -- at least to the extent of limiting the increase in the use of these fibres which would otherwise have occurred. In doing so, however, they have become raw materials to the wool textile industry, and the cotton industry, as well as to the synthetic fabricating plants, as such. This may have been detrimental to the cotton and wool growers in other countries, but not to the Canadian textile industry, for which synthetics have provided new opportunities and a new challenge which has been readily accepted.

It is the existence of a domestic textile industry, capable of absorbing the acetate, viscose, nylon and terylene fibre and yarn produced by this industry which has made possible the tremendous developments that have

taken place in Cornwall, Drummondville, Edmonton, Kingston, Maitland and Millhaven. Moreover, these capital investments are still continuing.

3. CAPITAL INVESTMENT

Capital expenditures form one of the most dynamic factors affecting employment and income levels and are one of the most important determinants of the level of economic activity within a nation.

Capital expenditures have played a very significant role in the postwar development of the Canadian textile industry. From 1946 to December 1955, total expenditures will have amounted to \$520 million of which \$192 million will have been spent for repairs and maintenance and \$328 million for new buildings, machinery and equipment. The figures are shown in Table 8.

While the postwar capital investment programme of the industry has been large it has not resulted in any material increase in textile productive capacity. Of the total capital expenditure about \$150 million has been invested in new synthetic fibre capacity which has resulted in raw material replacement at the primary stages of manufacture but has not added to end-product capacity. The balance has been almost entirely used for renovation of plant and replacement of obsolete equipment to secure lower unit costs per manhour and to improve the quality of the product.

The major source of funds for the postwar capital expenditures with the exception of those invested in the production of synthetic raw materials, has been the accumulated reserves of the companies in business at the

end of the war. In the wool cloth industry, for example, the Tariff Board reported that there was more money spent in 1946-53 for new fixed assets than the aggregate of the provisions for depreciation plus total net profits. After examining the audited statements of a representative group of wool cloth mills, the Board noted, in its report dated February 2nd, 1955, that since 1950 a decreasing amount has been allowed each year for depreciation "which may mean that these companies are not making sufficient reserves for the maintenance of their present plant and for the purchase of new machinery. This may be a precarious policy for an industry such as the wool cloth industry which because of its relatively high labour costs, must keep its plants as efficient as possible, and also be ready to take advantage of such improved labour saving textile machines as may appear on the market."

In the preceding pages the economic advantages that can be expected to accrue from the existence of a healthy Canadian primary textile industry have been examined in light of the demand for textile products that can be expected to develop during the next two decades. It has been shown that the industry is a large employer of manufacturing labour, that it is able to employ a relatively large number of persons in relation to capital invested, and that it provides a market for large quantities of raw materials indigenous to Canada. The capital investment programme of the industry has been impressive -- but it has not resulted in any material increase in textile productive capacity. While the industry has taken advantage of technological improvements

developed throughout the world, and has itself contributed to them, future developments are not likely to result in any marked change in the employment growth potential of the industry. It has been shown that, to the extent the industry is permitted to supply the domestic market, to that extent do foreign exchange savings accrue to the economy. Lastly, the strategic nature of the industry has been noted.

It is now necessary to examine the present competitive position of the industry in the Canadian market, its costs, financial position, tariffs, and the impact on the industry of increased import competition.

THE PRESENT COMPETITIVE POSITION OF THE INDUSTRY

1. POSITION IN THE CANADIAN MARKET

The textile industry in any country is highly competitive and diversified and this is particularly true in Canada, due largely to the high standards of the Canadian market and the many sources from which supply is drawn. There is the competition which textiles and clothing face against other goods for a share of the consumer dollar. There is also the competition which textiles meet with other materials - paper, wood, metals - for incorporation as alternatives to textiles in consumer products and, of even more importance, in industrial products. The highest degree of competition, however, arises with the textiles of other countries imported for sale in the Canadian market.

Import competition currently met by the cotton, synthetic and knit goods industries originates principally in the U.S.A. while that faced by the wool

textile industry is largely from the United Kingdom. Imports of carpets, which now account for about half the domestic market, come largely from the United Kingdom and Belgium. While the volume of imports from Japan and India are not yet great in total, they have a large potential volume in this market and already, in certain segments of the industry, the leverage of price competition from these countries has been severe.

The severity of import competition has traditionally varied as between various segments of the Canadian industry. It has, for example, been typically greater for fabrics than for blankets or knitted goods. However, in recent years increased import competition has been felt by manufacturers of almost all types of textile products. Indeed, the degree of increase of import competition has been most severe for some items for which the import share of the Canadian market was traditionally small, such as carpets and pressed felts.

Nearly all textile imports are competitive with the Canadian industry and only a small proportion of total imports could be considered as complementary to the production of Canadian mills.

The extent of the competition faced by the industry may be measured in several ways but, since there is no single physical unit which can be used to adequately express all textile trends, the most useful and representative indicator is the yardage of broad woven fabrics, sold as such. Table 10 is a study of the Canadian fabric market.

The significant change that has taken place

in the market since 1950 is apparent in the table. While Canadian production declined by 91 million yards, or 19 percent, imports during the same period rose by 24 percent. Of even more significance is the change that has taken place since pre-war. While Canadian production in 1955 is only 28 percent higher than in 1935-39, imports are now 243 percent, or almost $2\frac{1}{2}$ times the 1935-39 average.

2. CAUSES OF INCREASED IMPORTS

There are two groups of causes for the excessive increase in import competition evident in the above table, particularly since 1950. One is that the surge of postwar prosperity in Canada has carried rapidly upward the basic costs of manufacturing in Canada -- wages, services, plant -- at a faster pace than for foreign competitors. The other group of causes is the increased facility of foreign competition -- reduced tariffs, relaxed import administration, appreciation of the Canadian dollar -- all of which have left permanent effects on international textile trade.

(a) Relative Costs

In common with other Canadian industries, the wage rates paid by Canadian manufacturers of textile products have increased faster than the Canadian dollar equivalent of wages paid by textile manufacturers of competing foreign countries. This change in international cost relationships was revealed rapidly once wartime and postwar conditions were removed and trade returned to a basis where relative costs of production were evident in import and domestic prices.

It is self-evident that the Canadian textile industry must, and does, pay wages which are required by,

and acceptable to, employees of various types, in relation to other Canadian industries requiring similar skills. Any industry to secure workers must meet the requirements of the Canadian labour market. Any industry which is subjected to intense import competition must evidently go no further than is necessary to secure and retain labour in that market. Taking 100 as a base in 1945, wages in the Canadian industry had advanced by 1955 to an index of 220. This compares with an advance in the same period to an index of 217 for all Non-durable Goods Manufacturing in Canada.

Table 11 shows the excess of Canadian textile wages over those in Great Britain, Europe, India and Japan has vastly increased since the end of the war, and also the wage cost advantage which the Canadian industry has historically enjoyed over the United States' industry has been very materially reduced.

The rapid recent rise in the earnings of Canadian textile workers is striking, even in comparison with the two principal foreign competitors for the Canadian market - the United States and the United Kingdom. The excess of Canadian over United Kingdom wages amounted to 32 percent in 1945 and 48 percent in 1939. Following 1945 sterling was gradually devalued, in terms of Canadian currency, and by 1954 the differential in hourly earnings, in Canadian funds, had widened to 143 percent. Mills in the U.S.A. paid wages 71 percent higher than those in Canada in 1945 and 41 percent higher in 1939. By 1954, this differential had been reduced to 28 percent but, more important, the wage cost advantage of the Canadian industry as against the Southern cotton and synthetic textile mills

had been virtually eliminated. Taking into account the difference in "fringe benefits" it would now amount to less than 5 percent.

While the cost squeeze imposed on the Canadian industry by relatively higher wage rates is evident in the case of low wage foreign competitors such as the United Kingdom, competition with the United States is quite different both in impact and circumstances. Here we have two efficiently operated industries, with no great difference in wage rates, but one operating on a scale twenty times larger than the other. The consequences of this difference in size was formerly offset, to some extent, by a substantial spread in wage rates which has now been very materially reduced.

While the facts of the relative wage situation as between Canada and U.S. are apparent it is not possible to measure with equal precision the labour cost differential which arises solely from the much greater American output and the ability to continue production without interruption. Where it is possible for a Canadian mill to make maximum job assignments, the labour cost does not vary materially from that in U.S. -- but there are not many such assignments possible in Canada. The differences in unit costs which result vary from product to product, and at different levels in the process of manufacture but, in total, they all add up to a higher Canadian unit cost in spite of a slightly lower wage rate.

Coincident with the relative increase in Canadian costs, brought about by a lesser degree of specialization than in the U.S.A. or by the lower wage

rates of other countries, has been a steady reduction in tariff rates, relaxation of the Customs law and an appreciation of the Canadian dollar in terms of both the U.S.dollar and the pound sterling.

The changes in average duty collected on all imported dutiable manufactured textiles in terms of the levels prevailing in 1928 can be measured as follows in Table 12.

Now then, gentlemen, this is set out in Table 12 and you will note this is a very interesting table. It shows that taking 1928 as the base year, in 1933 from Great Britain we had an increase of 43 percent. By 1938 this was down to an increase of 9 percent and by 1954 we had a reduction of 22 percent from the base. From other countries, 33 percent in 1933, 19 percent in 1938 and down to a -12 percent in 1954.

Not only have textile duties fallen to a point where they are considerably less than the 1933 levels but they are well below the 1928 levels. These trends are true both for imports from Great Britain and from other countries.

In addition to these extensive reductions in tariffs on dutiable textile manufactures, there has been an increase in the proportion of manufactured textiles which are imported free of duty and so do not enter into the above figures.

This unique feature of Canadian tariffs resulted in imports of fully manufactured textiles, entirely free of duty, amounting to \$27 million in 1954 of which \$10.8 million were from Great Britain.

THE CHAIRMAN: Did that include the importations of clothing under the \$100 exemption?

MR. CRABTREE: No, it does not include that.

THE CHAIRMAN: We heard a fair amount about that the last time we were here.

MR. CRABTREE: Yes, I am sure you would.

Over one-tenth of all imports, and one-sixth of imports from Great Britain, of manufactured textiles paid no duty. Duty-free items are no doubt intended to cover goods not made in Canada. Their practical effect, however, is not only to prevent the making of these goods in Canada, but of all other types subsequently developed which would be competitive with them. Such special items place a great handicap on the technical development of the Canadian industry into fields it should properly enter as trade conditions change.

There are few important textile manufacturing companies which have tariff rates on textile imports which are lower than those in effect in Canada. This is true not only of countries which have textile industries of comparable size to that in Canada, but it is also true of such countries as Great Britain, France, Germany, Italy and even India and Japan. Canada, with relatively high costs has about the lowest textile tariffs in the world. It is significant that even the tariff on fabrics entering the United Kingdom, with a wage level in 1955 only 42 percent of that in Canada, is higher than the Canadian tariff on identical fabrics.

In addition to the positive reduction of tariff rates over the past 20 years there have been

automatic reductions in the tariff brought about by anomalous forms of duty structure. There are two outstanding examples of this process in the Canadian textile tariff. One is the Britain Preferential rate on wool cloth which has dropped from 29 percent in 1939 to 14 percent almost entirely due to an out-dated form of duty structure. The other example is the Most-Favoured-Nation duty on coloured cotton fabrics which, because of an obsolete value classification in the tariff item, has dropped from 30 percent to 20 percent.

(c) Depreciated Currencies

Shifts in relative currency values have placed burdens on many industries in Canada but nowhere more severely than on the textile industry. Failing any offsetting change in relative cost conditions as between Canadian and foreign producers, the net effect of currency depreciation is to make imports cheaper. As has been noted, the cost of labour is a high proportion of textile costs. There has, so far, been no rise in the internal wage levels of the countries which have depreciated their currencies such as to reduce the export price advantages which they secured from depreciation.

The net effect on relative labour costs of the changes in sterling and U.S. dollar values is illustrated by the following tables in which the trends in textile wage rates in Great Britain and United States are compared with Canada. In Table 13, I think perhaps a word of explanation might be necessary. While internally the wage increase in Britain has been 333 percent as opposed to 321 percent in Canada, were this expressed in Canadian

currency the increase would be 200 percent in Britain still as opposed to 321 percent in Canada, and on the top of page 20 in the other half of Table 13 you will see that the converse is true in the American industry.

These figures show that the effects of exchange depreciation when combined with the relative changes in wage rates have been such as to cause a major reduction in the competitive ability of the textile industry in Canada. Clearly, the elements of foreign textile costs, as measured by their most important element, wages, have moved to significantly more advantageous levels in terms of Canadian costs as a result of the divergent trends of internal costs re-inforced by the effects of currency devaluation.

(d) Customs Law

The effect of tariff reductions prior to 1948 was somewhat tempered by the valuation for duty provisions of the Customs Act. Goods entering Canada at values below home market cost of production plus a reasonable addition for administration, selling cost and profit were subject to assessment of dumping duties. This action effectively protected the Canadian industry from the severest form of foreign competition. In 1948, however, this protection was removed from the Customs Act and a further element added to the competitive disadvantages suffered by the domestic industry.

3. IMPACT OF IMPORTS ON CANADIAN INDUSTRY

The increasing tempo and severity of import competition brought about by rising Canadian costs vis-a-vis those in competing foreign countries during a time when access to the Canadian market was being facilitated by

tariff reductions and devaluation, has resulted in a marked contraction in the Canadian industry. Five cotton mills normally employing 2,600 persons, 8 synthetic fabric producers employing 1,200 persons, 24 wool cloth and blanket mills employing 1,400, 9 burling and mending plants with a combined payroll of 200, and 23 knit goods manufacturers have ceased operations since 1950.

While these closings cannot be wholly imputed to increased competition from foreign sources, that factor is undoubtedly a significant contributing cause.

The marked increase in import competition has also been reflected in the volume of employment provided by the industry. Between 1950 and 1954 the number of persons employed in the industry dropped by 21,000 or 22 percent.

The financial state of an industry is dependent in large measure on its ability to market its product profitably. The combination of fewer sales and unprofitable prices experienced by the industry for several years has produced a condition approaching financial exhaustion in large segments of the industry.

The trend of textile company profits, after taxes, can be contrasted most simply with all manufacturing companies by taking annual percentages of 1950 profits, the year of which these reports commence, and there is a comparison in Table 14 which is very interesting.

The figures in this table mean that where

all Canadian manufacturers made more profit before taxes in 1955 than in 1950, the companies in the textile industry earned in 1955 only 39 percent of the profits which they made in 1950. While profits in textiles were relatively high in 1950, as they were for all manufacturers, so that with whatever qualifications this table may be accepted, the fact still remains that textile profits have diminished in a rapid and drastic manner. Within these average figures are companies which made very substantial losses.

While the above table shows in general terms what has happened to textile company earnings, there is a precise example in the report of the Tariff Board on the wool cloth industry. The losses suffered by the mills studied by the Board were, before taxes ---

Losses before taxes

1951	\$1,955,373
1952	1,140,353
1953	1,590,445

As stated by the Tariff Board Report, "in these cases where capital resources were precarious at the outset and the companies had been suffering repeated losses there are instances where the financial statements already indicate a state of virtual insolvency."

The effect on the domestic textile industry of rapidly increasing imports is cumulative. Unit costs are related directly to volume of production and when volume is curtailed due to loss of business to imports, unit costs go up with a resulting deterioration in competitive ability. This, in turn, facilitates further

imports with its attendant unemployment, falling income, part-time operation, restriction of capital investment and mill closings. This situation is an anomaly in an expanding economy and particularly serious in view of the growth in textile demand that is indicated.

4. MARKET DEVELOPMENT

In addition to the drive for efficiency at the mill level, another factor which indicates the determination of the industry to do all within its own power to continue and prosper is an aggressive approach to creating and selling good merchandise. This need for aggressive merchandising is re-inforced through competition with the effective overflow of magazine, radio and television advertising from the United States. Most large companies maintain sales offices in main centres across the country and there have been, in recent years, some successful efforts at reducing costs and increasing efficiency through amalgamation of offices of companies in different segments of the industry.

Intensity of Canadian selling has increased steadily since the end of World War II and there is no doubt that efforts that were aggressive under so-called normal conditions received additional stimulus from the recession of the past few years. The companies in this industry spend a combined total of more than \$5 million each year on advertising and promotion, a reasonable proportion to sales when it is considered that a good many of the industry's products lose their identity before reaching retail counters. One Canadian company has an advertising and promotion programme larger, proportionate

to sales, than that of any other textile company of a similar type in North America.

While almost all discussion of markets up to this point has been concerned with the domestic market, it should not be overlooked that there is a valuable export potential in the Canadian industry should circumstances ever allow for reasonable development. There were relatively large and valuable prewar exports from Canada, principally to the sterling area, which have been almost wiped out by currency and quota controls. As has been noted, there are, even now, token quantities of Canadian textiles being exported to the United States but there appears to be a somewhat invincible barrier to significant expansion of sales to the U.S.A. so long as Customs administrative procedures involve so much uncertainty and delay.

FORECAST AND CONCLUSIONS

In the early pages of this study, Canadian textile demand in 1975 was forecast for clothing, household textiles and industrial textiles at a level about $2\frac{1}{4}$ times the 1954 figure. The domestic industry's share of 1954 consumption was supplied with a direct employment of 76,000 persons. If there were no change in this present share of the market and the trend of manhour productivity as set out on page 9 continues, the direct employment required by the industry in 1975 would be about 119,000 persons. On the other hand, the maximum employment potential of the industry by 1975 could be of the order of size required to supply all of the Canadian

market. Again assuming a continuation of the past trend of rising productivity, and that the market continues to grow as projected, the employment required to supply this volume of textiles in 1975 would be 182,000.

To the extent that economic policies are designed to encourage the sound growth of efficient manufacturing industry in Canada, to that extent will the job opportunities offered by the textile industry in 1975 be close to the maximum level indicated.

The industry, to produce and employ at the suggested levels would have to be physically larger than at present to a very considerable extent. There has been little expansion of capacity since pre-war and how much capital would be required to meet the indicated future demand appears impossible to calculate but it would be at least \$1,000 million in terms of present values. A fair proportion of the expenditures involved in such an investment would be made for Canadian goods and services and, in addition, the industries which grow with textiles would also be required to expand.

In conclusion, it is clear that the Canadian primary textile industry has played and continues to play an important part in the economic development of the nation. It makes effective use of the nation's resources of manpower, technological knowledge, materials and money. It is a large industry in terms of employment, value of production, capital investment, geographical distribution and future potentialities. It is not wasteful of resources and while it is the longest-established manufacturing industry in Canada it is efficient in terms of the Canadian

market in which it must compete and in relation to alternative uses of Canadian manpower and other resources.

At the same time, it is equally clear that the present state of the industry is still very difficult. In the past five years, a period during which all other Canadian manufacturing employment increased by 14 percent, employment in the primary textile industry dropped by 18 percent. A decline of this magnitude cannot be attributed to mere seasonal correction or market accident. It is a symptom of a fundamental condition affecting the industry that neither efficiency nor the expenditure of money has been able to cure. The dangers inherent in the industry continuing to lose ground to competitive pressures from foreign countries are obvious, and yet a continuation of the trend appears certain so long as foreign exporters have ready access to such a large share of the Canadian market for the industry's products, or so long as the industry is denied effective access to its competitors' markets. No case can properly be made for the proposition that the Canadian industry should be the exclusive supplier to the Canadian consumer, but the fact remains that unless the present trend is reversed the textile industry will not be able to make its important and necessary contributions to the Canadian economy. A growing domestic market over the next two decades will provide an answer to the problem to the extent that the industry has effective access to a better share in the market growth. This is its hope and expectation.

Canada has fulfilled its obligations as a

member of the General Agreement on Tariffs and Trade but there has been a lack of reciprocity by other countries. The result has been that importing manufactured goods into Canada has become progressively easier but exporting most manufactured products is next to impossible. The nation's efforts to encourage other countries to adopt more liberal trade policies have been something less than a complete success.

In these circumstances it appears that Canada's future economic growth will best be served by maintaining a closer internal balance between manufactured and non-manufactured goods, and between manufactured imports and exports rather than by basing our economic policies upon sales abroad of agricultural products and raw materials, balanced by imports of manufactured goods. Canada's aim should be to obtain a supportable maximum in population growth which will reduce here exportable surpluses and at the same time will secure the maximum return from the processing of her resources.

These beneficial effects will follow to the extent that Canada adopts trade policies which are sufficiently flexible to provide the minimum necessary support for manufacturing industry, by adjustment as circumstances alter. Rigid trade policies which contemplate revisions in only one direction cannot continue to serve the best interests of this country and allow manufacturing to grow, as it should, in reasonable balance with an expanding economy. Given sound policies, the textile industry will be able to continue to provide and increase its significant economic contributions to the

nation. Thank you.

THE CHAIRMAN: Thank you very much, Mr. Crabtree. You suggested earlier that if we had questions we might direct them to Mr. Berry or to some of your colleagues behind you. Dr. Stewart has been good enough to say that he would start the questioning.

MR. STEWART: Mr. Crabtree -- I would like to express my appreciation -- and I am sure that of my colleagues, for this very excellent survey of a varied and complex industry with which it is not possible for us to become familiar in detail.

Your brief does go into some of the structure of the industry in sufficient detail to give us a view of it but we appreciate particularly the way in which you led into general principles to enable us to see the industry in perspective and we are very grateful to you for that. I have some questions and I will direct them to Mr. Berry, if I may.

Mr. Berry, on page 5 I have reference to this sentence:

"For this reason manufacturing, in general makes a significantly greater addition to Gross National Product, in terms of the values produced per worker than such other national industries as forestry, fishing or agriculture."

This is true in generality. I think then on page 9 you have a figure on the output per manhour in the primary textile industry of \$1.95 per manhour in 1954. Do you know how that compares with other secondary

industries?

MR. BERRY: I am afraid not, Dr. Stewart. That is in comparison with other groups within the manufacturing industries?

MR. STEWART: Yes.

MR. BERRY: I don't think we have formed that particular comparison. The only comparison we have made is this more generalized comparison, which, as you will note, has basically treated all broad groups, but we have not made a study of manhour productivity as between various manufacturers.

MR. STEWART: Well, if the generalization I am sure is correct, there is a wide difference in man-hour output between these secondary industries and I wondered if you knew how your industry compared with others.

On the bottom of page 6 is a statement that concerns me a bit. That is, the implication of this last sentence is that the industry cannot look forward to too great technological advances. You don't want to leave that impression, I take it?

MR. BERRY: As a matter of fact, we dwelt for some considerable time on this sentence before we left it as we did. The implication is not, as you suggest. The implication is that while every avenue of technological development within the textile industry will certainly be basically accepted in the future as it has in the past, at the same time there is a considerably longer history of that sort of exploration behind the textile business than there is

behind some newer industries, so that our rate of advance, however actively we seek it in that direction, may not necessarily be as rapid as in some of those others.

MR. STEWART: What branches of the industry have you in mind particularly there or do you refer to industry as a whole?

MR. BERRY: I refer to the industry as a whole.

MR. STEWART: Would this be true of the synthetics?

MR. BERRY: Within broad limitations, Dr. Stewart, the basic mechanisms of transforming raw materials into textile products, the principles of them have not shown tremendous change for some time. There are new raw materials that are developing possibly, but there are certainly very major refinements that are rapidly recurring in the use of these principles of transformation, but the principles themselves, that is different. Interlacing of threads, for example, is a principle which is as old as man.

MR. STEWART: On page 8 are several matters with regard to employment and in the second paragraph you say:

"....the industry is able to employ particular types of male labour not readily absorbed in other branches of manufacturing industry."

Can you help us a little over that?

MR. BERRY: On a question like that, sir, I would like to suggest that you ask one of the practical

manufacturers whom you will have before you this afternoon. There are answers and I am sure they can deal with them more readily than I can.

MR. STEWART: Could you say in a period of expansion you have difficulty in drawing workers? For instance, during war time there was a substantial expansion. Had you difficulty in getting competent workers?

MR. BERRY: Up to a point. During the early years of the war there was a very rapid movement of people into the industry to the extent that they were required, but beginning about 1943, as I remember, there began to be a decline in the labour forces in the textile industry, apparently due to the nature of the industry, but also, I must say, due to government intervention in the flow of labour at that time.

MR. STEWART: In the period of decline do you know what has happened to the workers? You indicate the numbers that have been displaced in the last few years. Do you know what has happened to them?

MR. BERRY: We really don't. There have been attempts made to pursue the history of people who have left industry but any studies that we have seen have not been very productive either in locating the people or in finding out precisely what their situations were.

MR. STEWART: The other question has to do with the seasonal nature of employment in this very impressive chart on page 8. What is the basic reason for seasonal variation in employment in the industry itself? Why do you have a concentration at certain

times?

MR. BERRY: Basically, I would think it is a function of the seasons in which textiles are used. This also is a question on which you would get more illuminating information from the people in the trade but they would no doubt explain it in this way that there are seasons in the use of textiles. After all, we have all heard of Easter and the new spring bonnet comes out at Easter and so on, and that is the type of thing which is one of the major influences on the flow of textile production.

MR. STEWART: Market irregularities carried back into production?

MR. BERRY: To some extent. Of course one must remember that there are even types of clothing which are not so seasonal in the nature of the demand. They fluctuate much less than others and further than that there is a considerable part of the textile industry output which has no relation to seasonal changes whatever. I refer to the great array of industrial products. That is, quite basically the amplitude of seasonal variation in the textile business is not typically as great as it is in other industries.

MR. STEWART: In the smaller towns in which these plants are located, do people employed in the mills actually get other employment in the seasons when the mills are slack? What kind of employment do they get?

MR. BERRY: Some do get agricultural employment in the summer time, for example.

MR. STEWART: I will try asking somebody else.

MR. BERRY: Going back to a previous question of yours, Dr. Stewart, about where do people go when they leave the industry and how do they fare, I recollect when there was a fairly extensive study made of that in New England over the last four or five years. There was an attempt made to pursue these people to find out where they went and what they were doing and that would be available to you. Basically, there were two comments, one was that they had not all secured other employment for various reasons, and, secondly, that those who had secured other employment on the average were not as well off wage-wise or job-wise as they had been in the employment they had left.

MR. STEWART: Thank you. At the bottom of page 9 you have a measure of the rate of increase in productivity from 1938-39 to 1953-54 of 1.8 percent per annum. I wonder if there would be much difference in the rate, say, during the war period and in the more recent period. This is an average rate over a period of time which involves quite different conditions in industry. I would expect recently that the rate had been less than that. Would that be so?

MR. BERRY: It is not altogether safe to generalize over quite a complex industry but at the same time there are some explanations here which are true. During the war there was a concentration of the types of production all of which ran to pretty standard lines and the pace of the increase in productivity at

that time was quite marked, and then after the war when the civilian economy and particularly at the time the buyer's market arrived the qualifications that I placed in the brief on measures of changes of productivity became much more significant, the change in the type of goods being made, the increase in the number of different things being made and all the other factors which destroyed any true measure of productivity over a long period because of the change in the mixture of figures being measured. But there were changes of pace between that period.

MR. STEWART: May I refer you to page -- I think I will go to Appendix F. The section on cotton seems to indicate that as far as United States is concerned there has not been any great increase in importation over the 1945-1949 period and that the same thing would be true of the United Kingdom but that the significant increase in imports rather concerns other countries. What other countries are involved?

MR. BERRY: India, Japan and at one time, oddly enough, Spain.

MR. STEWART: Are there any particular types of commodities involved from these countries?

MR. BERRY: The imports from India are principally in what we know in the industry as grey cottons, grey cloth of various types, more the coarse end than the medium or fine end of the business, which has grown basically for two reasons. One is that the Indian Government provides through its fiscal measures what in fact amounts to a subsidy on the raw cotton

used by mills in India, which, up until last fall, had the result of reducing the price of cotton to their domestic industry by about $12\frac{1}{2}$ cents a pound below the price at which it would be found in the Indian mill, plus the fact, of course, that textile wages in India are a little more than one-tenth of those in Canada.

MR. STEWART: And these grey cottons are competitive with the products of your industry?

MR. BERRY: Not only are they competitive but they have had the result of causing our people to make some very difficult decisions as to whether on the one hand we pass up the business or take a loss of two or three cents a yard in order to keep it.

MR. STEWART: Looking at the synthetic section, the dominant factor, apparently, is the United States?

MR. BERRY: That is right.

MR. STEWART: And the marked increase in imports has been from the United States. Again may I ask as to the nature of the materials coming in?

MR. BERRY: I happen to know, sir, that you will be presented this afternoon with a rather thorough analysis of that side of the business.

MR. STEWART: In the wool section the table does not indicate any significant increase in imports at all. Does this mean that the competitive situation is not troublesome in connection with wool?

THE CHAIRMAN: Where do you get your figures from?

MR. BERRY: The figures are obviously

fairly level. At the same time, there have been some very marked shifts in the relation which these figures have borne to the total Canadian market and thereby some rather violent changes in the rate of Canadian output in the remainder of the market which was retained by the Canadian industry. This is the wool cloth industry which made a stated case to the Tariff Board last year. This is one aspect of the industry's competitive position which has been very thoroughly documented and it was these figures which have produced the kinds of losses in the wool cloth industry which are revealed at page 21 of our brief.

MR. STEWART: In several places in the statistics where you have been able to introduce 1955 figures, they would suggest a somewhat improved position. Your index of profit -- I am just thinking of this one as one illustration -- is better in 1955 than in 1954. How do you explain that? Is that merely a fortuitous irregularity or does it indicate anything more permanent?

MR. BERRY: I think it is true to say that the total demand for textiles in Canada in 1955 at the levels which draw from the textile industry -- not necessarily the consumer level but the total demand for textiles taken from the primary textile industry and/or their imports - was greater than in 1954. There was a greater volume in the market from our point of view. That greater volume in the market produced two results. One was that the primary industry in Canada acquired a greater volume of business but the other result was also the fact that there was an increase in volume of imports

so that effect was more or less that the Canadian industry secured no greater share of the market than it had in the previous year although it secured more business because there was a larger market.

MR. STEWART: Thanks very much, Mr. Berry. I think my colleagues would like to get at you.

MR. GUSHUE: Your reference to the number of mills in Canada on page 4 is there established at 745. Is there a comparable picture in the United States?

MR. BERRY: We don't have it here, sir.

MR. GUSHUE: You don't know whether it is a large number of small mills or a small number of large mills?

MR. BERRY: I see the point. This is another generalized picture. There are some mills which have very large numbers of people in them. By the same token, there would be very small mills with a very small number of people in them. I don't think we have made a study of the pattern of the distribution by size in Canada against those in the United States. It could easily be done.

MR. GUSHUE: Is there any trend in Canada towards a smaller number of large establishments in the industry? I am thinking of the reference to the disability of Canadian industry to find itself vis-a-vis the American industry.

MR. BERRY: Yes, there has been some trend towards larger units.

MR. GUSHUE: Is that an active trend now?

MR. BERRY: Well, it is a function of

planning plus mortality, if I can put it that way. Some people are actively seeking to lay out a greater operation within their own company and in some cases they have actually consolidated some of their plants. On the other hand, growth in some other companies has been somewhat the result of the fact that some of their competitors have fallen by the wayside during the last several years.

MR. GUSHUE: When you refer to a closer internal balance in Canada and a more flexible trade policy, I take it you mean there, a special reference to tariffs -- tariffs that would move up as well as down, is that correct?

MR. BERRY: That is correct.

THE CHAIRMAN: Well, Mr. Crabtree, some of my colleagues think they would sooner put their questions to the various people who are going to appear after lunch. They think Mr. Berry has had a sufficient number of questions to handle and that perhaps we had better adjourn now. If Mr. Gordon would be agreeable, I would suggest we meet at two o'clock and try to catch up that way.

We will adjourn until two o'clock.

(At 12.50 P.M. the Commission adjourned until 2.00 P.M.)

A F T E R N O O N S E S S I O N

APPEARANCES:

Mr. G. Blair Gordon, President,
Dominion Textile Company Limited.

Mr. L. C. Bonnycastle, President,
Canadian Cottons Limited.

Mr. Drummond Giles, President,
Courtaulds Canada Limited.

Mr. G. L. Bruck, President,
Bruck Mills Limited.

Mr. Francois Cleyn, President,
Leach Textiles Limited.

THE CHAIRMAN: I think we should come to order, gentlemen. The next submission will be presented by Mr. Gordon, the President of Dominion Textiles, whose brief we will mark Exhibit 182.

MR. GORDON: Mr. Gordon and Mr. Commissioners, it so happens it is almost exactly 33 years since I came back to Montreal and got a job in the Dominion Textile Company. I must admit that the fact that my father was president of the company at the time might have helped. Anyway, it has been lucky for me and I hope it may be lucky for the Dominion Textiles. I am not so sure at the moment. I suppose, if anything, I am identified with what we call the primary cotton manufacturing section of the textile business in Canada. I say "primary cotton manufacturing", because in our particular sphere, where we start in with a raw material, raw cotton, we consider ourselves as primary in contrast to the people that use our products, and whom we look upon as

secondary manufacturers in our industry. These, of course, include such industries or such companies as braiders, specialty weavers, mop and cordage manufacturers, twine manufacturers and a host of other companies, who, I think for the purposes of the Commission, are perhaps included along with us for the most part. However, that is a definition that we use amongst ourselves. Those people I just mentioned are yarns, people who use our yarns, and then the users of our fabrics, the great user of course, is the apparel industry, the so-called needle trades. Those people, we could call secondary textile industry. But beyond those we have many other customers for our products who rank as industries in their own right. I am thinking of such people as the rubber industry, the furniture industry, the buffing and abrasive industry, automobile industry, luggage and leather and almost endless instances where our yarn and fabric, yarn cloth, end up far afield in character from the cotton itself.

In those industrial uses there are perhaps two broad divisions. There is the usage in those plants themselves, such as filter cloths in the sugar industry and other fabrics that we make -- the rubber industry uses certain of our fabrics as liners to keep the raw rubber from sticking to itself, and their make-ups of compounds. Those get worn out and are thrown away and then there is a great number of cases where our cloth ends up in something that doesn't look like cotton, it may be a pair of rubber boots or an automobile top or a thousand things.

I don't propose to take up your time today in telling you a lot of things in which you must be well versed. I simply want to make it clear that in my opinion our industry in Canada is no different in its position from hundreds of other industries in the country, whether manufacturing or agricultural. There is a tendency, and we think a lamentable tendency, in some quarters to think of the textile industry as one of a small group of so-called protected industries. A glance at the 314 pages in the blue section here, the industries are together by groups rather than alphabetically for the products they are listed under anyway, in this so-called Canadian Customs handbook would soon put matters right on that score, for there are no less than nine broad groups of industries listed in these 314 pages, setting forth the rates of tariff applying to those various products. The first group is Agriculture and that covers animals, agricultural products, fish and provisions and that group of industries takes 40 pages to include all the items. Textiles in all forms, including clothing, takes up 39 pages. The biggest group in here is called "Metals and Manufactures Thereof", and as you would expect that covers a great range of products and takes 101 pages. Then there are the other six groups I won't bother mentioning. Now, I realize that this is only a very rough and ready kind of measurement, but it does serve to indicate the relative extent to which customs duties are applied to various products, either made in this country or coming in. Now, someone will say, "That is all very well, but many of those

other items carry only low rates of duty, whereas textiles have high rates". That, of course, is quite wrong and I am sure that after listening to the brief this morning, and from your own knowledge, the Commissioners will realize the real facts in this particular situation. In any event, I am not here this afternoon to plead a case of more adequate tariffs. We have made representations to Ottawa, I suppose half a dozen times in the last five years, and the proper authorities in the Department of Finance are or should be well aware of the action called for to correct what we have found are a few anomalies in the duties applying to cotton manufactured products.

I realized after I had written these remarks that I had started out without telling you anything about the company. I had more or less assumed that all the Commissioners would know what is in our make-up but perhaps I should take just a minute or two to describe the company.

Now our manufacturing facilities in Dominion Textile Company and its subsidiaries consist of eight fairly large integrated spinning and weaving mills. One of these is simply a spinning mill. Seven of them are integrated mills, spinning and weaving, three of which are located in Montreal, and in Montreal we also have a separate warehouse for storage of manufactured goods, central storage for mill supplies and so on, a general maintenance shop to do machine and repair work and our head office. The majority of our plants are located

elsewhere in the Province of Quebec. We have two branches in Ontario and one in British Columbia.

Besides the eight cotton mills, we have two converting plants, namely a print works at Magog and a dyeing unit at Valleyfield; in both cases of course we do bleaching which is complementary to the coloured end of the business.

Those plants are all essentially in the cotton manufacturing business, although at Drummondville, one of our plants in the province here, we turn out some 150 tons a week of high tenacity viscose and nylon tire cord not a combination of the two but either one or the other, mostly viscose. We have a stake in the fabricating of synthetic yarn and cloth through the medium of two companies, Tremont Worsted Mills Limited, which turns out mixtures of wool and various synthetics in the form of yarn and another company called Domil Limited -- usually called Dominion Barrington -- and we shortened it to Domil. We had a partnership with some people in the States and they saw the handwriting on the wall and got out at the right time, about five years ago. Anyway we gave this Tremont Worsted Mill Company house room in our Mount Royal mill -- they had part of a floor there -- while Domil operates three plants in its own right, two of which are in Sherbrooke and one in Montreal. The finishing plant is in Montreal and we have a spinning unit in Sherbrooke and about a mile away we have a weaving mill.

Our selling offices are located in Halifax, Montreal, Toronto, Hamilton -- where it is more of a depot for yarn shipments than a real sales office -- Winnipeg, Edmonton and Vancouver. In Montreal, Dominion Textile

Company proper has two selling divisions, the Quebec-Maritimes district with space in the head office building and what we call the style cottons division with an office on Ontario Street. Domil have their own administrative and selling offices. Then we have Howard Cotton Company, our raw cotton buying agency, which is centered in Dallas, Texas, but its field forces range the cotton belt from Memphis to California and travels to Brazil and Mexico when necessary. We have a small place in the wood manufacturing business in Magog where they make bobbins and spools and such things for the textile industry in Canada and sometimes for other parts of the world, India and Mexico, in times past, and other wooden articles such as legs for television cabinets and mop heads and all kinds of little wooden bits.

THE CHAIRMAN: While you are on the subject of your company, about how many people do you employ?

MR. GORDON: About 13,000.

THE CHAIRMAN: Mostly Quebec?

MR. GORDON: Yes, mostly Quebec. We have a small unit up in Dunnville, Ontario, and we have the Caldwell Linen Mills which we own, mostly in Iroquois, Ontario, and then we have our small plant on Lulu Island in B.C. where we make fish nets.

In your letter of invitation, Mr. Chairman, you asked me to present my views regarding present production costs in the textile industry in Canada and other competing countries and the relative trend of those costs in the future; also to point to other likely developments in the textile industry over the next two or three decades.

I am glad to have this opportunity to put before you what I feel are the longer term prospects of our industry. In the short run there are factors which tend to help or hurt us, for example, a change in the exchange rate, or the state of affairs in the American scene, where the cotton manufacturing industry is subject to quite volatile price changes, acting under the laws of supply and demand and emotional influences. Now, while such changes have an immediate and important effect on profitability and employment up here, in the last analysis I feel the future of the Canadian textile industry will be influenced and determined by more fundamental factors.

I spoke a moment ago about emotional influences and my experience has been that the textile industry in some of its phases is a more emotional and imaginative industry than others with which I have had contacts. The character and nature of its participants, more especially in the garment and distributive end of the business, is intensely competitive and highly individualistic. This tends to bring about instability and variability of demand in fabric constructions, yarns, designs, finishes and packaging. The situation calls for continuous appraisement and re-appraisement of our operating and production programmes so as to be able to service our customers properly without exposing ourselves to undue and dangerous price risks.

There is quite a remarkable ebb and flow in taste and demand. A few years back everyone thought that rayon dresses would to a very considerable extent replace cotton in the popular price field. The rayon dress in

that field is about as dead as it could be, and cottons have done a great comeback. Now, our style cottons division which I mentioned a few moments ago, operates in a rather higher priced field and while the volume of total business available is very small, I don't suppose it would amount to 10 percent compared to our main popular priced field, it is comforting to us anyway to know that we can style and produce that type of goods, because I so often get people saying to me, "Why does this come in from the States?". Well, the material in question comes in from the States because it is something going into a dress that is retailing at \$20 or more - and remember the number of those dresses sold in Canada is just peanuts. We have got to stay down around the \$8 dress, and even these higher style cottons will go into a dress that probably won't retail over \$12 and the great majority of our stuff goes into dresses, house dresses, women's house dresses that start to sell at \$2.98, and perhaps go up to \$5 at the most. That is where the volume is, and that is our business.

Now, we are part of a world-wide industry, and our difficulties and prospects are, and will be, a result of the basic forces that influence on the one hand the expansion of the world market for textiles, and on the other hand the ability of the Canadian textile industry to maintain and increase its share of that market as it may develop. The growth of the world market for textiles is clearly related to the growth of population -- more people will use more textiles for clothing, household furnishings, and perhaps most

important of all, for many other purposes in industrial end-uses or applications. As the economies of the so-called "more backward" countries develop, so does the last mentioned form of usage assume more and more significance. I am referring there, of course, to the industrial end uses. Some importance must also be attached to the level of income of the populations, although this factor can be over-stressed in relation to the use of textiles for clothing and household purposes. After all, a woman making her own dress for the sake of economy, in hard times, uses just as much cotton fabric as does the dress manufacturer in making that dress, and going to the so-called undeveloped countries, native populations there using cotton goods in the form of garments of unsewn and uncut cloth can use yardages equivalent to a much higher value of made up clothing where it contains the extra labour and so on of making it up. It is a fact, though, that in developed countries such as our own, textiles are likely to suffer in times of depression because people can make do with a minimum of clothing, towels, sheets, curtains, etcetera, which helps them to maintain their time payments on television sets, automobiles and other commitments entered into in more prosperous times.

When we started to make netting, for example, for the commercial fishing industry about twenty years ago, about 1936, there were then two broad divisions of netting, the heavier cotton seine netting and the finer cotton and linen gill netting. Today nylon has taken over the gill netting field and we still have stocks of certain cotton

and linen nets out on the west coast that it will take some time to try and get rid of. We can get rid of them in the course of time because there are still cotton gill nets being used and they have to be repaired and they are repaired in strips, so eventually, in a long time, perhaps three or four years, we will get rid of the last of that inventory.

Mr. Crabtree mentioned this morning that the Canadian textile industry had pioneered in the development of certain machinery and products, and I thought you might be interested to know that our company has played some part in that regard. We hold some patents on certain technical developments of carding equipment, that is the equipment that cleans the cotton and does the first stages of processing, and we think and we know we are ahead of the field in dealing with nylon for netting purposes. This nylon situation is mostly that of know-how and certain formulae which we have developed and which we have exported in Europe and mainly in Denmark, where there is quite a manufacture of netting.

A fundamental factor which must be appreciated in considering the present and future development of our industry is the fact that it is a mature industry and has already passed through the earlier stages of development which we now see occurring in younger industries about us. I don't want to be mistaken here -- I am not saying we have reached a time when no further developments can occur -- I am simply saying that those developments can only be contemplated against the background of over 160 years of progress in every aspect of our business. You are probably

aware that Richard Arkwright made the basic invention of the Ring Spinning Frame somewhere between 1732 and 1792, I think -- he lived for sixty years, so he was probably about forty when he made the invention, somewhere about 1772. The advertising which our Company carried on some 30 to 40 years ago was in its way, well suited to those times and conditions, but if indulged in today, and particularly in these surroundings, it would lead to international complications, as you can see from this leaflet which was probably put out in the early '20's, maybe about 1923 -- if you look at that you will see what I mean.

Dr. Stewart this morning in asking Mr. Berry a question about technical progress, whether we had come to the end of the way, I think, and Mr. Berry mentioned that interlacing was as old as the hills, and so it is. Actually today, there are a few other ways of making cloths which have retained some success, and that is by what we call non-woven fabrics, where the fibres are more or less felted together and make a sort of a mat. It doesn't have much tensile strength but it does serve certain purposes.

Now the improvement in sales volume of our industry which has come about in recent months, will, I am pretty sure, be seized upon in some quarters as a justification for a policy of indifference in the bad times of the last four years or so. These people will say to themselves and to others, "You see, we were right; we told those cotton manufacturers to set their houses in order. They took our advice and made a real effort to

help themselves, and that is all that was needed as is proven by the present improved state of affairs". Now, any such assumption in my opinion is incorrect and constitutes a reflection on the men and women who have managed and worked in our industry over the past 50 years or more. The Company which I have had the responsibility of directing for the past 16 years or so was not brought to its present strength and competence only in that period. During the previous 17 years of my connection, and long before my time, the people charged with the duties which we are carrying on today were going about their tasks just as competently and earnestly as we have been attempting to do in the last decade or so. The people who will succeed me and others now engaged in the management of our Company will be confronted with new problems in the next 20 years, and they, too, will have to find the answers, and the ways and methods of dealing with those problems, just as we have had to do and our predecessors have done in the past.

I do not believe, for example, that the problem of manufacturing a wide variety of goods for the Canadian market is going to become much simpler in the next 20 years, just because our population may grow from 15 million to, let us say, 25 million people. So long as we have as a neighbour, a nation of 160 million or more -- and I suppose if we grow they will too, although the proportion won't be anything like as great -- as long as we have this great nation beside us an increase of even 10 million in our population will not go very far to even up the greater difficulties of producing goods for this market. Furthermore, if the going were to become simpler

or easier, there is every prospect of other people starting up in our business in the same lines we would like to make in greater quantities. It is a free country, you can't keep them out if they want to come in and if they have got the money. Up to the present the very difficulties to be overcome here have called all along for the acquired skill and know-how of Canadians, for the most part born and bred to the business, and have either precluded or deterred even our able American friends and our experienced Lancashire counterparts from entering the field to any extent. Yet with a minimum of assistance by way of tariff protection or other outside aid, Dominion Textile Company Limited has a moderate record of success over the past 50 years. I will venture to say that I do not visualize anything different in the next 50 years, although I won't be here to be held accountable for these words or the actual results.

We have heard quite a lot recently about the extent to which Canadian industry is dominated from across the line, but here in the textile industry, and most certainly in the primary cotton manufacturing division, you can see an industry that is almost completely owned by Canadians, directed by Canadians and manned by Canadians. It would appear that this is one line of endeavour where we can stand on our own feet, and I do not consider it is the easiest business in the world to be in. On the contrary, I feel that we have developed in Canada over the years, the broad know-how that is required for this business up here.

When some people accuse our industry of not

doing everything possible to help itself in these difficult times, they are right in one respect; there was one move our Company, or any other integrated Canadian company for that matter, could have made during the past four years or so, and more particularly since Japan was extended Most-Favoured-Nations treatment in 1954. Had any of these companies decided to be highly opportunistic, regardless of other considerations, the way has been wide open to play the game in that manner. In our case, it would have involved closing down at least three out of our eight cotton spinning and weaving plants that I mentioned a few minutes ago, probably the plants at Sherbrooke, Magog and one in Montreal and concurrently reducing spinning and weaving operations at Montmorency, Valleyfield and the other two Montreal mills, and we would then have imported unfinished grey cloth from Japan to be finished in our converting plants. Such a move would, of course, have entailed grave consequences for our employees at those mills and the communities where they lived. We have considered all along that only as a last resort, to save the Company from bankruptcy, from going under, should we deliberately stop manufacturing grey cloth here, even though we can land it in Canada from Japan below our own cost of manufacture.

The success and -- Dr. Stewart asked about where do people go when they lose their jobs in the textile industry. I think Mr. Berry answered that by referring to that study made in the New England states and that tells the story, about the down-grading and so on of these people that went to such industries as the electrical industry in Massachusetts over at the

General Electric Company at Lynn took up some of them, and then G.E. had another big plant over in Massachusetts -- I just forget the name -- the shoe industry took up some in Brockton and other places -- but the experience was that they all suffered down grading in their jobs, they weren't as well off as they had been in their textile jobs.

The success and survival of a textile manufacturing organization, to my mind, depends in larger measure than almost any other industry, upon its executive, manufacturing and merchandising personnel and the co-ordination thereof. We, in our company, have consciously and, I think, aggressively brought new strength into our organization from time to time at points where it seemed to be required. In addition to all the Canadians who have been brought up in our industry, a few men have come from the U.S.A., where they had handled significant assignments before we got them, and they brought valuable experience to their new responsibilities up here, but in every instance they had to adjust themselves to the realities of the Canadian scene before they could play their full part in our employ.

Every once in a while we hear the assertion that in our industry we make the going tough for ourselves by trying to manufacture too many different lines, and the suggestion is put forward that if we would only confine ourselves to the lines where substantial poundages or yardages can be manufactured and sold, most of our problems would disappear. My remaining hairs rise in trepidation at the thought of the implications contained in this facile proposal, as it, I feel, shows all too little understanding of the position of a manufacturer in relation to

his customers. I wonder if the proposer of such a solution has ever heard of the phrase "class or kind not made in Canada". The 39 pages of this book I mentioned a while ago which embodies all the textile tariff structure, are already well laced with items which provide for entry of various kinds of cotton manufactured goods free or at nominal rates of duty because they are reputedly of a "class or kind not made in Canada". If we refused to make anything like a reasonable quantity of a line for a customer which we are equipped to make, he would be justified in going to Ottawa and asking that the goods in question be termed of a "class or kind not made in Canada". The tariff structure would thereby become completely riddled with all sorts of special items and the industry would become enclosed in a more and more limited field of operation whence it could not emerge.

I suppose the Commission realize that any goods that are going to be re-exported in any form enter Canada free of duty. That is where they get the foreign bags, rubber shoes, automobiles, tires, they come in free of duty -- well 99 percent drawback to be exact. I suppose you know that. So that makes anything free that is going to be re-exported. Various items for which one reason or another have crept into the tariff and which provide for either free entry or rates of duty of perhaps 5 percent, $7\frac{1}{2}$ percent or as high as 10 percent in some cases, because they are presumed to be not made here in sufficient quantity. And while these things in themselves don't always look too important, there is a chain reaction set up every time you do that sort of thing.

Every time you make a loophole in the tariff it affects something else close to that line and the result is quite important overall. Of course, there are some exceptions for a very good reason, for example, the farm implement industry in Canada can bring in anything made of cotton to they need/incorporate in a binder or harvester because they want to give the farmer as cheap as possible an instrument of equipment and therefore it is very good for us to get any of that business, even though the implement itself may be made up here.

In order to live with our customers we must be prepared to make any yarn or cloth which falls within our equipment possibilities and where a reasonable quantity is involved from a practical manufacturing standpoint. Just what constitutes a reasonable manufacturing quantity will vary between one product and another, and if you want more definite information we can provide you with it, I don't think this is the kind of a place to go into great detail. You must also appreciate that there is nothing static about the trade demand for cotton goods in Canada; it is an ever-changing picture; what is small potatoes this year may develop into a major line in a few months' time, and a big line may drop down to a fraction of its former size. We just cannot afford to be arbitrary with our customers if we want to keep them; we must cater to their desires, and it is only common sense to do so in this rather crowded market place.

There is really no very good reason for some of the conditions under which we must operate our plants. I am referring here to conditions which are set

for us by factory regulations and which handicap us quite materially in relation to concepts existent elsewhere. When buildings and machinery, and particularly new buildings and machinery, represent such a terrifically high cost as they do today it is only logical to operate as many machine hours as possible in a week or more. That, of course, is quite independent of the number of hours people work -- I am speaking of machinery running. Yet, we are precluded from obtaining the optimum results on this score, and we must be content with anywhere from 5 to 10 percent less productive running time on our machinery than our competition can operate in the southern States, where it is the practice to run 144 hours in 6 days; that is the standard work week, of which 120 hours are straight time and the extra 24 hours are overtime at time and a half. And all that work is spread over three balanced shifts of 48 hours each at uniform rates of pay per occupation each shift and uniform job assignments, that is, they can use women on any one of the three shifts equally well. Now we too, up here, must pay overtime rates after 120 hours -- I shouldn't say must, we do pay them and we have done that now for over ten years in our mills. We run a 40 hour week, and we run three shifts, as they do, in 120 hours. But we are forced to unbalance our shifts as regards hours of work, rates of pay, and composition of the working force because in departments where women are employed in this Province of Quebec, and 29 percent of our employees are female, there are special regulations as to hours of work. They must not work eight hours without a break in the middle of half an hour and they cannot work

after eleven o'clock at night. I don't say it is wrong, those are just the conditions, and probably very proper conditions, but the difference between our situation and the American mills in the southern States, and I don't think it is very different in Ontario so far as women are concerned.

Now, as to the future trend of relative costs, I do not believe we can look for a significant improvement vis-a-vis the Lancashire, European, Indian or Japanese mills so long as there is such a wide disparity between Canadian wages and the wages of those countries.

You saw this morning in our main brief, certain figures there, and I think perhaps the most significant aspect of those figures was not put forward, it wasn't emphasized because Mr. Crabtree didn't have time to read all the tables. You will notice there, if you look closely, that in Lancashire back in 1939 there was a spread of 11 cents an hour between Lancashire wages and ours. Now that may have been quite a good proportion at that time, say we were paying 41 cents an hour and they were paying 30. Now today that spread has become 63 cents an hour and while the proportions may not have changed -- well, they have changed -- but the all-important fact is that whereas we were only at a disadvantage of 11 cents, we are now at a disadvantage of 63 cents and when we are competing on selling cloth, it isn't the proportion of cost, it is how much less per hour the other guy is making his goods and unless the whole value of money has changed terrifically 63 cents today is a great deal more than 11 cents was 16 years ago, and aggravates the whole situation.

Technological improvements are available equally to the industry in all parts of the world, and any jump we might get, say, on an Indian mill, through being closer to the source of improvement -- I say the textile machinery maker in the United States or in England -- would be of a very temporary nature. As I said earlier, the broad problem of competing with the mass production of the American mills will remain with us, but our position need not always be aggravated by the conditions I have already spoken of -- and I am thinking there of this restriction we have in operating our equipment. As time goes on perhaps we will get more equitable conditions. Our own level of wages is, of course, set by the standards of this country, and while our wages are much higher today than pre-war, I say that our position relative to other industries in Canada is little changed. We have always been the highest paid industry employing a substantial number of women, but our average wage of course compares unfavourably with steel companies, heavy engineering firms and other employers of practically all male labour. Dr. Stewart asked a question this morning, that perhaps wasn't answered, and he said, "Why do we mention a particular type of mill labour", wasn't that it, Dr. Stewart?

MR. STEWART: Yes.

MR. GORDON: Well, I think what we had in mind when that was put into our main brief, all men are not capable of working in foundries, and doing heavy manual labour and in our particular case in this province I think it is fair to say that our French-Canadian

population -- and of course our help is very predominantly French-Canadian -- are of a somewhat lighter build; they have the grace and charm of the Latin people but they are not built like Poles and the Notre Dame football team.

The last specific reference in your letter, Mr. Chairman, is to improvements in the present system of distribution, and by improvements I presume you mean any move or happening that may tend to reduce the cost of distribution, which is undoubtedly high in Canada because of our distances and lack of density of population. I would judge that in the field of distribution may come the greatest opportunity for future reduction in the cost of goods being offered to the people of Canada, more especially if an increase in population occurs in those regions already served by existing means of transportation, such as railway, highways, canals, rivers, etcetera, which need greater density of traffic to be more economically utilized. This would seem to point logically to developing those things which bring people together in more or less settled areas already served by existing facilities rather than in far-off places where new rails and roads would have to be built at considerable capital expense to take care of them.

It has been claimed that Canada should concentrate its work power on producing those things which result in the greatest return in dollars for every man hour of paid effort. Dr. Stewart, this morning, touched on that and pointed out that we hadn't any such figures in our main brief as to the output per man hour. We did have an overall figure there. My inclination is that by

such a yardstick the textile industry in Canada is about halfway down the scale from the top -- and by the same token is half way up from the bottom -- and the question arises as to where the line should be drawn beyond which an industry is not worth preserving in the Canadian economy on that particular score. And also the question comes up, can such a scale, an arbitrary scale, be applied regardless of the wider implications of the situation. To answer my own questions, I would say first of all that we must look beyond just the dollars and cents or ratio of value created by man hours of effort and examine into such matters as to whether the goods being produced are consumed at home or abroad and as to the constituents making up the created value -- how much is labour or profit or overhead, for example, and what kind of overhead. I think, as I said "consumed at home or abroad", it seems to me if we consuming these goods in Canada it isn't so important that there be a great value per man hour because our own people are paying for; if the goods are being exported I can see the greater importance of using our labour force, assuming it is a labour force that can be diverted one way or another, to producing the things that bring back the greatest number of dollars to these shores. But if those goods are being consumed here by our own people, I think that particular criterion perhaps is not so important. Only based on such data can the real importance of an industry be assessed and an appraisal made of its relative value to the Canadian economy. Besides being at the half-way point on the scale of value added to raw material content per man hour of effort, the textile industry ranks even higher on the

score of putting real value into the addition, not by a lot of overhead and profit, but by dollars paid out for labour in our plants and for other services rendered by Canadians. And taking 6 and 7 in the main brief today, and page 5, they all emphasize that fact. We are not gem-cutters or watchmakers who, I imagine, might rank the highest in value created per man hour of effort, but we do produce a useful, economical article, and in doing so we make a sound contribution to the total value of goods and services in Canada. I didn't say Gross National Product, Mr. Chairman.

I will tilt at one more windmill before dismounting from my hobby-horse here, and that is the fetish that is currently being made of Research, spelled with a capital "R", as a panacea for the troubles of industry. I have no bone to pick with research as a contributor to the progress of mankind or, more specifically, with its value to the technology of cotton manufacturing, but in a humdrum day-by-day manufacturing business such as our own, "Research" cannot be substituted for steady application to the matters at hand. We are, in effect, busily engaged in research (with a small "r") on an hour to hour basis, but, except in our chemical and testing laboratories, it does not involve using a test-tube, although we may need a microscope at times to see our profits.

You asked me, Mr. Chairman, at the outset of your letter to gaze 20 or 30 years ahead. I have been wondering what my answer would have been had you asked the same question anywhere along the line during the past

30 years or so. I believe it would have been what I am about to say now, and while it may sound trite and resemble a series of cliches, still I feel the facts are so self-evident and true that I must take the risk.

The textile industry has existed in Canada since well before Confederation and I would venture to say that even in relation to the simpler needs of those very early days, the industry did not play the full part it has come to play over the years from Confederation onwards -- 1867 onwards. We do believe that for the last four score years or so it has been a great and leading factor in the developing Canadian economy. As it is situated today it is equipped and prepared to deal with and take care of the needs of the great mass of the Canadian people, so far as the primary textile manufacturing is concerned, on a sound and efficient basis.

I do not think, Mr. Chairman, that you expect me to attempt to chart or predict the course of this country as a whole over the next three decades. That, perhaps, is the task of your Commission. I will venture to say, though, that as Canada continues to grow more populous and becomes larger and greater in every way, the textile industry here, as has been the case throughout its long and memorable existence, will be found well abreast of the rising tide of progress. It will continue to spend the capital required, to provide the jobs, and to deliver the goods. It will serve that greater Canada to come as well as, if not better than, it has served the Canada of the past and of today.

THE CHAIRMAN: Thank you very much, Mr. Gordon.

Do you want to ask some questions?

MR. STEWART: Mr. Gordon, I raised this point with Mr. Berry this morning and again looking at the tabulation of imports in Appendix F of the general brief, the figures here do show that the increase in the volume of imports of cotton goods, 1950 onwards, has been from other countries, principally Japan.

MR. GORDON: Yes, Japan, and India would be in there too.

MR. STEWART: And India, yes. Mr. Berry mentioned ---

MR. GORDON: And to some extent Belgium and others.

MR. STEWART: You refer to the fact that Japan was given Most-Favoured-Nation consideration after 1954. What are the conditions in Japan leading to the increase in export of cotton goods during that period?

MR. GORDON: Well, we can speak with some knowledge of that situation as just between October and Christmas we had one of our brighter young men in the company go over as part of the team that included Mr. Berry. I wish you had asked Mr. Berry this question, he was there. Of course, since the war Japan has been re-equipping in a very big way. They have today mills that are outstanding in their machinery; they have a system of operating those mills that is ideal for the economy and for the population and they pay wages that are roughly, at a guess, one-sixth of ours. The result is that they can make just as good quality as we can in our ranges and they can land them in here at prices that

are so far below our own that nothing --- I shouldn't emphasize the Most-Favoured-Nation, but even if you increase the tariff, even if you doubled the tariff, it wouldn't keep Japanese goods out. The only thing that will keep Japanese goods out is to value them at values that are similar to Canadian costs. Nothing else will keep them out. At the present time Japan has voluntarily put a quota on their exports to this country and as long as that is maintained, apart from the price angle they won't do too much damage. 13 million yards in this market is not such a quantity but it is what it does to the price structure. If they don't just sell below our level and choose to fight amongst themselves for the business, even on the quota basis, they can set values here that just make everything look silly. And that is what happens and did happen last summer.

MR. STEWART: Is it a correct interpretation of this table to take it that the significant competition which has increased the problems in the cotton field, has been from the Orient?

MR. GORDON: Oh no, no, United States. You may not think that an increase from 149,000 to 215,000 in 1952 is not very significant but you take another -- let's see the difference there is 66----

MR. STEWART: Yes, but with the exception of 1952 the imports from the United States were lower than the average for the period '45 to '49.

MR. GORDON: Yes, because that period was different. We were filling up inventories here that had been terribly depleted during the war years and there was

an almost unlimited market for goods and that is the only reason that 200,000 yards came in. That didn't hurt us very much. That is simply filling a vacuum. But nobody could fill up in four years.

MR. STEWART: Well, what is the explanation for the decline in U.S. imports from 1952 on from 215, to 192 to 175?

MR. GORDON: Well, I think we have to some extent -- we made up our minds about 1952 that there was no use trying to hold the price line that we had to simply meet every price that came along and we produced yarn at great cost to ourselves. We lost more money in 1953 than we did in 1952, although we produced more goods. We met the American prices no matter how far below our cost of production they were, in order to get the business. We still couldn't get the 192 million yards of business that came in.

MR. STEWART: These short periods of years are rather difficult to interpret in terms of trends but it looks to me in Appendix E again as to interpretation of the data, in Appendix E under "Yards per Capita" that there is an actual decline in the per capita in the disappearance of cotton goods.

MR. GORDON: Yes.

MR. STEWART: You see your average for the period '45-'49 is 36.2. You haven't maintained that.

MR. GORDON: No. I think the answer still is -- you can see what happened in the war years, we were up to 41.1 which represented the terrifically large volume of uniforms and many types of cotton goods for the war

effort, such as camouflage nets, submarine nets, powder bags for artillery, and all kinds of things went into that 41.1. It wasn't a civilian figure at all. I don't think that is a proper figure for comparison.

MR. STEWART: Perhaps not.

MR. GORDON: So that we come to the post war years where we were filling up the inventories again, 36.2, then came the Korean, which again impinged upon the civilian demand and we had very substantial war orders late 1949 and early 1950, and the early part of '51, and then about the middle of '51 the bottom fell out and things started to go down and we got back to a more normal figure. Now, 1954 and 1955 does show a very sharp drop per capita, although in 1955 as Mr. Berry said this morning, we had actually turned out more yardage than we did in 1954 because we were once or twice removed from the final point of consumption and there is a time lag between the consumer demand or consumer use, and what we produce in our mills. Other industries come in between, the distributor trade and that creates the time lag.

MR. STEWART: Is it true that the cotton industry has been depressed pretty well all over the world?

MR. GORDON: Well no, not all at the same time certainly. They seem to be depressed in Italy just now, things are picking up in the States quite a bit, certain companies in the States have done fairly well all along. In Lancashire they were very happy between 1951, '52 and '53, it is only in the last twelve months that Lancashire has really begun to go off a bit and it hasn't happened everywhere at once. There was perhaps one short

time, right after the Korean war, when everything petered out, but since then I would say the States and ourselves have been about the best example of the so-called depressed industry. Lancashire was doing pretty well part of that time, of course. So much so they didn't bother out here very much, they could sell all their goods in the sterling area.

There is one part, Mr. Chairman, I remember now, is a contradiction to something I said, but in the brief this morning it mentioned that we had an advantage of working longer hours in our mills in Canada than in the States, and yet I said just a few minutes ago that we couldn't begin to run our machinery within five to ten percent of the maximum hours in the States. I think when the main brief was written they were thinking of the 38 hour week here, which is pretty common I think in Ontario and quite legal anywhere in Canada for that matter, it is only by custom that we run 40 hours. But in the States it is a 40 hour week by Federal legislation.

MR. GRAUER: Mr. Gordon, on page 6 you state that even should there be a significant increase in Canadian population up to maybe 25 million, that it wouldn't mean much as long as we had a neighbour with a population of 160 million or more. In some of the other submissions made to us by other industries, it has been quite common to have a machine/^{or}process or even a factory that reaches an optimum size and then you get no further economies by an expanding market. Now, is that not true of the textile industry at all?

MR. GORDON: Oh, yes, it is true, Mr. Grauer,

to quite an extent. Perhaps I am not too accurate on that statement from the standpoint that if it meant we could double our printing runs because we had 30 million people as against 15 million today, if that meant we could get twice as big a run for a certain pattern in our printing machine, it would certainly help us a good deal in our cost in that particular line, but I was visualizing that perhaps we can't assume that we will have all that to ourselves in our present organization.

MR. GRAUER: No, you did state that other people can come in, that this is a free country. But usually if you do have a proportionate increase.

MR. GORDON: It would help us. Where we actually print say 9,000 yards now, we could go up to 18,000. But my point is, it is still a long way short of 50,000 or 100,000 which would be the practice across the line.

MR. GRAUER: Is it very clear just what level of demand the increase would produce?

MR. GORDON: The thing I am thinking of, the greater yardage the better. You see when setting up to print a piece of cotton goods you have to go through the process of engraving your copper plates and then getting them set up in the machine and then you start off. And you have a capital investment there to do the job. If you want a hundred thousand yards, you may have spent, let us say a thousand dollars in getting ready, and if you run 100,000 yards, it costs you $\frac{1}{100}$ th of ^acent a yard, if you run 200,000, it costs you $\frac{1}{200}$ of a ^{of a}cent, if you run 500,000 yards, it costs you $\frac{1}{50}$ of a ^{of a}cent. It is just that,

and of course, it doesn't wear out, the copper goes on running as long as you want it to.

MR. GRAUER: Well, apart from the fact of the most efficient size of run.

MR. GORDON: I suppose you could say for all practical purposes, the difference between running 100,000 yards and 150,000 are not so great. Nothing like the difference between running 10,000 and 50,000.

MR. GRAUER: No. But what I was trying to get an impression of, is how much bigger do we have to get population-wise in order to achieve these efficient sizes or most efficient sizes? I realize that there are a whole group of categories of application -----

MR. GORDON: Yes. It would vary certainly, between runs. We make a lot of standard lines that we try to run pretty steadily; take our yarn business, we make certain standard types of yarn for knitting trade and other trades, and there if we had an increase such as is contemplated from 15 to 25 million, it would certainly help us quite a lot.

MR. GRAUER: In those types of production where there is quite a large demand, I take it, in Canada, what percentage difference in cost would you say there is between your processes and those of your competition in the United States?

MR. GORDON: Well, anywhere from 20 to 30 percent, somewhere in that range, taking labour, overhead and production.

MR. GRAUER: Well, has that percentage been coming down, going up or remaining about the same

over a period of years?

MR. GORDON: Well, so far as actual cost is concerned I think we have more than held our own, perhaps. The trouble is, of course, at times people throw cost out the window and keep their plants running for the sake of, well, perhaps for the sake of their employees as we have done in the past, or perhaps for the sake of not losing all their overhead, and when we get up against those figures, there is a spread between raw cotton and production where the so-called margin becomes sub-normal. Then, of course, our relationship of cost to that figure is very far out of line.

MR. GRAUER: You have been closing the gap somewhat, though?

MR. GORDON: I think a little bit, yes.

MR. GRAUER: You mentioned the factory regulations as being harmful in comparison with competition in the United States. How do you find the attitude of Canadian trade unions as opposed to labour in the United States in its field, with respect to technological improvement?

MR. GORDON: Well, we have in our mills two main groups of unions and one -- I prefer not to mention names -- one union is quite co-operative and seems to understand that you can't just let things stay still, that you must improve -- as you obtain better machinery you must seek to save the cost of labour to a certain extent. The other union, I am afraid, has got a long way to go before they see the light in that connection.

MR. GRAUER: How do you find the situation

in United States from that point of view?

MR. GORDON: Well, in the south, while there are unions in a few shops, for the most part, the cotton mills are not unionized.

MR. GRAUER: And you do get a good deal of competition from there, do you?

MR. GORDON: Yes, that is where it comes from -- that is our competition.

MR. GRAUER: I see.

MR. GORDON: They are making the same things we are making and have been for years, I don't mean just in the last ten or 20 years, there are big mills in the south that were there 100 years ago, or 60 years ago.

MR. GRAUER: They get the full benefit of technological improvement there?

MR. GORDON: Oh yes.

MR. GRAUER: On page 11, what is the trend in the south, are they becoming unionized or do you know about that situation?

MR. GORDON: Yes, we keep pretty close to it. They have been very busy; the T.W.A., the biggest American union although it doesn't happen to be the one in our mills up here, The Textile Workers Union of America have been making great efforts to unionize the southern mills, but so far they haven't made much headway. The southern textile operators, the employees, are Anglo-Saxons for the most part; they get along very well with management; they are the same people, and the union doesn't seem to be able to drive a wedge between them. In most of these places, particularly the smaller towns, where the

community is all one and they live in company houses and have a company store and so on, they are part of the company really.

MR. GRAUER: So that competitive feature might remain unfavourable unless your situation changes up here then?

MR. GORDON: Yes.

MR. GRAUER: Or until the union policy has been settled in the States.

MR. GORDON: Yes, insofar as unions are a bad thing. But a union does not have to be a great detriment.

MR. GRAUER: I wasn't referring to that so much as just the attitude towards technological improvement.

MR. GORDON: I mean a union can be just as co-operative and helpful as it can be unhelpful if it wants to be.

MR. GRAUER: Yes. On page 11, the point I wanted to refer to, you state that technological improvements are available equally to the industry in all parts of the world and any jump you might get say on an engine, would be of a very temporary nature. Isn't it true that, particularly in the more expensive processes, which certainly you would have in the synthetic field, besides the technology you need the capital to set the new technology up?

MR. GORDON: Yes.

MR. GRAUER: From that point of view, I would think that, for instance India which is mentioned

here, would be under a considerable competitive handicap. They need capital for so many purposes, in other words, do you notice anything along that line?

MR. GORDON: What I was talking about there, I was thinking not of a whole new mill at once but the way these things happen in our industry, somebody develops a new and more automatic winder of some kind and while it is an expensive machine for the size of it, and it saves money, the investment to put in a battery, of course, is not so very great relative to the cost of an entire mill. We would say go to Switzerland where those are possibly made and get those new Swiss machines but the Indian mill would study the same new technical journals, they know what is going on, they jump in there and they buy the same machine. These Indian mills, you know, are not poor.

MR. GRAUER: The overall supply of Capital is quite scarce in most of the undeveloped countries.

MR. GORDON: I don't know anything about that. I just know they make a great deal of money and I don't know what they have done with it.

MR. GRAUER: But on the day-by-day improvements that, of course, wouldn't be so true.

MR. GORDON: That is the way it happens in the industry, day by day, week by week, something comes along a little better, and you take these things as they come along.

MR. GRAUER: There is a remark on page 4 about consumer's credit, the availability of it in automobiles and television, works against you in times

of recession in the textile field. To what extent does consumer credit become a factor in the textile field? It is a big one, we know, in those fields you mention there. Does it have a considerable significance?

MR. GORDON: At the retail level?

MR. GRAUER: Well, it is the retail level chiefly that I am thinking of, but if at any other level I should like to hear about that too.

MR. GORDON: Well, in a sense we perform a sort of credit function because we must anticipate the needs of our customers and build up big inventories which are really a form of credit, I suppose, against the day that they will need those goods and they only pay for them as they get them. Of course, the wholesaler is actually doing his job, if that is what he is entitled to do or supposed to do, as regards his retail customers. In the retail field I don't think there is much credit extended except insofar as ordinary charge accounts go in these big departmental stores, but there is no real time payment system on textiles that I have heard of, to any extent. The items are usually too small.

MR. GRAUER: The implication is that the large amounts of consumer credits have been going into rather large individual purchases/^{which} restricts the purchasing power to buy textiles?

MR. GORDON: Yes, I think more goes into durable goods than consumer goods.

MR. GRAUER: Then the further implication I suppose would be that if a full employment economy

were achievable the trend would be quite good from the textile industry's point of view because it would tend to remedy that situation?

MR. GORDON: Yes. I don't mean to convey the idea that we suffer more than these other people, because in their case, they are fortunate that they don't have to take back these television sets. Whereas in the bad time between 1930 and 1933 we at least kept going and probably were one of the more stable industries on the whole. But we did suffer somewhat.

MR. GRAUER: Thank you. Are there any branches of the Canadian industry where an absence of tariffs would enable them to compete with American industry?

MR. GORDON: Well, the best example that we have, of course, is right in our own company here in this fish-netting business. There is no tariff on fish-netting. We have competed with the States and with Japan and with Great Britain and I think in the first place we were instrumental in bringing the price of those goods down because the supplies in the country were limited in number and I think they put their heads together back in the '30's or long before that. But when we came into the field, we had to break prices in order to break in, and we did so and you say how can we compete in that. Well, it is sort of a specialty business, and as I say, in this nylon end of it, we have been able to develop the know-how here that nobody has quite got on to yet and I suppose in time we may be caught up with but perhaps we will think of something

else by that time.

THE CHAIRMAN: That is research with a capital R is it?

MR. GORDON: No, that is still small r.

MR. GRAUER: That might apply to other commodities as well?

MR. GORDON: Yes, we do compete, of course, with these goods coming in with drawback -- that are entitled to drawback, we will say to a customer, "Now, if you will give us all your requirements or most of your requirements for the domestic market, we will undertake to supply you with certain percentages of goods for export", and we thereby meet the American price or whatever it is, without duty -- 1 percent duty, 99 percent drawback -- or whatever the duty happens to be.

THE CHAIRMAN: The American tariff is quite substantial?

MR. GORDON: Going the other way into the States?

THE CHAIRMAN: Yes.

MR. GORDON: No, it isn't as substantial as you might think. It is a very flexible tariff or, I suppose you might call it a very scientific tariff. It is based on the average -- well, it operates on a mathematical basis according to the construction of the cloth and as the cloth gets finer and there is more labour content in it, the tariff gets higher, and that works, of course, the way it should work, as against other countries. But at the lower ranges, and in our field, I say the tariff on our goods going to the States today is not much higher than our tariff on United States goods coming in here. Mr. Berry could correct

me if I am right or wrong on that. He is the expert.

MR. BERRY: That is right.

THE CHAIRMAN: Well, thank you very much, Mr. Gordon. It was a very interesting submission.

THE CHAIRMAN: If you would like to be next, Mr. Bonnycastle, we will mark your submission 183.

MR. BONNYCASTLE: Mr. Chairman and Gentlemen: My contribution to the discussion today can only be supplementary to the weight of information and evidence which has been submitted in the Primary Textile Industry Brief and by others who will be reporting on their own companies' position and experience in the primary cotton field. Perhaps the main value of my appearing before you lies in the fact that most of my business experience has been in other areas than that of textiles but since 1953 I have had to study the problems and difficulties of one company in the primary cotton manufacturing field. I joined Canadian Cottons Limited in January 1954 at the very height of the Industry's difficulties and I have, therefore, participated in the efforts which the Industry has made in fighting a depression in textiles, the effects of drastically lowered Canadian tariffs, and international trading conditions which have affected adversely many of Canada's advanced manufacturing industries.

In the January 9th issue of the Financial Post a study indicates that the "proportion of total national output derived from manufacturing has been gently, gradually but definitely declining in importance". This will be no surprise to those engaged in the advanced

manufacturing process for conditions which many of them must face are gently, gradually but definitely becoming more stringent and it is only because world economic activity has been so buoyant that output from manufacturing in Canada has held even its present reduced position in our gross national product figures.

Therefore, in discussing the place of the Primary Cotton Textile Industry in Canada currently and over the next 25 years the prime consideration seems to lie in the answer to the question - does Canada hope to develop a more balanced economy with increased reliance being placed on the growth of secondary manufacturing process or hope to rely indefinitely on the natural resource industries as the main prop and support of our economic future?

It is difficult to complain of past policy as Canada has prospered greatly under a liberal trade policy and past growth has mainly been based on the expansion of our natural resource industries but it would appear that more and more people are wondering how long such reliance is justified and whether steps should not be taken to ensure that Canada is in as strong a position as possible to meet the demands of a growing population for an increasing and stable standard of living.

It would appear to me that a strong and soundly established advanced manufacturing industry is highly desirable in Canada as a complement to our exceptionally favourable position as one of the world's prime suppliers of raw material. If this is so a study of the situation faced by the Primary Cotton Textile Industry

in Canada over the past five years is of real interest and importance.

The arguments for ensuring the growth of advanced manufacturing industry in Canada have been placed before your Commission many times. I would only like to suggest once more that, if Canada is to grow from the points of view of population, of size of labour force and of an increasing standard of living, the time must come when a greater part of this growth must be under-written by other than our natural resources industries. The service industries will expand but these industries are tied closely in their growth factor to the overall development of the country and do not themselves spark an expansion of the economy. The most dynamic force in the development of our economy over the next quarter century must come, I believe, from the growth of secondary manufacturing industries and from the job opportunities they provide in advanced manufacturing processes.

This means that present industries must be further developed, that new industries will be required and that even more attention must be given to providing a climate in which such secondary manufacturing industries can expand than has been the case in the past.

In considering this climate for secondary manufacturing industry due attention must be paid to the peculiar problems facing such industries in Canada and how conditions in other countries affect the ability of Canadian companies to develop. Relative wage rates are of basic importance, monetary exchange rates exercise an influence, and the size and availability of the market in

which goods can be sold is vital.

In addition to these conditions there are the over-riding and interdependent conditions determined by the trade and tariff policies of every trading country in the world.

In Canada advanced manufacturing industry faces certain difficulties due to the very conditions which have made Canada one of the most fortunate countries of the world. In particular the very richness of our natural resources and the access these resources (in their raw and semi-processed state) have to the broad U.S.A. market has raised the standard of living -- and thus Canadian wage rates -- to exceptional heights; it has kept the value of the Canadian dollar at a very high figure; it has focussed the attention of our Governments and our economists on the great contribution our primary industries have made and will continue to make to our national wealth.

These factors -- high wages and high exchange rate -- when combined with a relatively small home market have made it difficult for Canadian manufacturing industries to compete -- on the one hand with industry in the U.S.A. which is able to produce at lower costs as a result of its mass market and the special techniques they have developed to service the market -- on the other hand with industry in low wage European and Asiatic countries which, in addition to the advantage of low labour costs, are developing their industries and economies by the introduction of modern machinery and new techniques.

In contrast, in pre-war days Canadian secondary manufacturing industry was better able to compete with its U.S. counterpart because then wage rates were relatively lower in Canada, the exchange rate was favourable and a higher tariff was in effect. It was better able to compete with low wage European and Asiatic countries because wage rates in Canada were not so much higher then, as is the case now and industry in many of these low wage countries was relatively less modern than in Canada in the use of machinery and production methods.

Now Canadian wage rates have moved up faster than those in the United States, European or Asiatic countries; now the Canadian Exchange rate is among the highest in the world; now the tariff structure is lower than it was in pre-war days; now excess or distress merchandise from foreign countries may be imported to the detriment of Canadian industry in a manner which was not possible under pre-war, anti-dumping regulations; now with the rebuilding since the war of cotton mills in certain low wage countries their machinery is as modern as that of Canadian mills.

These problems of secondary industry in Canada have become apparent despite the fact that general economic conditions have been excellent. The business downturn occurring in 1954 brought these problems very much to the fore. Had that slight recession become of significant proportions many secondary industries in Canada could have been placed in a most vulnerable position.

As it was, the winter of 1954-55 was difficult enough in many industries and unemployment rose to the point where it was disturbing to Governments and Municipalities as well as to the individuals who, for the first time in 15 years, were faced with prospects of lack of employment resulting in hardship and want.

Of all the secondary manufacturing industries which were adversely affected after the period of material shortages was over, certain sections of the Textile Industry were the first to suffer and the extent of the downturn in this Industry was particularly acute. In the primary cotton field the experience of all the major companies is available from their published statements. Never in the history of the Industry had there been such a sudden and continued drop in earnings as occurred in the years following 1951. The experience of Canadian Cottons Limited was more critical than that of the Industry generally but it is indicative of the general trend.

Net earnings before depreciation and before Income Taxes of Canadian Cottons Limited were as follows: The figures are given there. They vary from a maximum profit of \$4,600,000 in 1951 to a loss of two and a half million in 1954.

These figures show a variation of \$7,100,000 from the peak year ended March 31, 1951 to the low point in the year ended March 31, 1954, -- an amount so great that it was obviously due to factors other than ordinary business fluctuations, sudden changes in efficiency of operations or business practices.

Despite the many improvements made in the

past two years Canadian Cottons Limited is not yet operating at a profit.

Earnings of Textile Companies in the U.S.A. also followed the same trend decreasing from a high in 1950 to almost a vanishing point in 1954 -- profits after taxes of the Textile Mill Products Industry in the U.S.A. averaged almost 6 percent of sales in 1950 but dropped to less than one percent in 1954.

The reasons why the Canadian Primary Cotton Textile Industry suffered to such an extent are -

1. A real and acute depression developed in the United States in the Textile Industry with the result that substantial over-production there created pressures on prices driving them down by as much as 25 percent, in some cases below actual cost of manufacture. It led to shipment of over-production to other countries and this over-production was able to come into Canada at unrealistically low prices because the old Anti-Dumping Law had been changed and new Regulations which were adopted were not very effective.

2. In addition wage rates in the United States Industry had not increased as much as they had in Canada because of the transfer of much American production of cotton textiles to lower wage areas in the Southern States. This accentuated the unfavourable cost differential between United States and Canadian produced goods.

3. Finally there was a very real reduction in the rate of tariff protection as compared to that which existed in pre-war days. In the case of Canadian Cottons Limited this reduction amounted to 40 percent on

half the fabrics produced by the Company. How this reduction occurred is explained later in this brief.

In view of the very real difficulties under which the Cotton Textile Industry was labouring, difficulties which were not of its own making, many people have asked why there has been so little help extended to the Industry.

It is my belief that the Government felt any steps taken to protect the position of any advanced manufacturing industry in the Canadian economy would be contrary to its stand in relation to GATT and that some of the Cotton Textile Industry's problems might be of its own making. It appeared that some people were even prepared to suggest that the industry was expendable and attempts were made to rationalize this argument on the grounds that the Industry was inefficient, its merchandising was not effective and that, as it imported its raw material, cotton, it was not a natural resource industry and, therefore, not deserving of consideration.

It is true that, during the War and early postwar years when volume of production was essential, most industries were forced to place great emphasis on volume and as a result executive talent concentrated on production while selling and marketing necessarily took a secondary position. The very fact that goods were not available for sale meant that some normal selling methods had to be abandoned. Judging from my experience in various industries, this tendency was no greater in the Textile Industry than in other industries which had been placed in the same position. Actually the very force of

circumstances as a result of the drastic competition engendered in the postwar years, has led the Textile Industry to make exceptional efforts to ensure that it is fully efficient and competitive.

No industry loses its earning position as suddenly as occurred in the Primary Cotton Industry because of inefficiency alone. The U.S. Primary Cotton Industry too had a drastic drop in earnings yet this Industry has always been held up as an example of maximum efficiency in textile operations.

As previously mentioned, prices of some cotton textiles dropped by as much as 25 percent from 1951 levels and I think it is a fair statement to say that not many Canadian industries could operate profitably today if they were receiving prices for their product so substantially below 1951 prices nor does it seem reasonable to charge the Canadian industry with inefficiency because it has difficulty in meeting Japanese prices while wage rates are being maintained at from seven to eight times those paid the workers in Japanese mills.

Within the limits of the restricted home market and the problems involved in manufacturing many lines of highly styled goods, the Primary Cotton Textile Industry is, in my opinion, an efficient industry, it compares favourably with other manufacturing industries in Canada and it has concentrated every effort on lowering production costs and protecting its competitive position.

Criticism of merchandising and marketing methods is also not valid. It is true that few industries in Canada can spend as much money as their U.S. counterparts

in merchandising, advertising and selling their products but, within the limitations of the smaller market, the Canadian Cotton Textile Industry is doing an excellent job.

The suggestion that Canadian Industry should only process raw materials produced in this country is an interesting one but I do not believe it is valid.

Every manufacturing country in the world must import a substantial part of the raw materials used in producing its manufactured goods. There is justification for encouraging the maximum processing of raw materials available within the country but, if other nations are not prepared to accept these raw materials in their manufactured state and if the home market cannot absorb the potential output, the processing of raw materials cannot be carried to its logical conclusion. Therefore, if it is accepted that Canada must export much of its natural resources in a raw or semi-finished state for other countries to process then it should also be accepted that Canada must balance her economy by importing other countries' raw material for processing for the home market.

Raw material in cotton textiles approximates only one-third of the real value of the finished article and the added value in manufacture is a very real contribution to the wealth of the country. A great percentage of the world's cotton textile production takes place in other countries than those where cotton is grown.

Many other industries in Canada import a substantial part of the materials going into their finished product. All manufacturing countries are in the same position and Canada should not be expected to live under rules which do not apply in the rest of the trading world.

Under the circumstances I sincerely believe that most criticisms of the Cotton Textile Industry are unjustified and, if advanced manufacturing industry is to receive some consideration in Government economic policy, as I feel it should, the Primary Cotton Textile Industry should certainly be included.

Canada has an investment in the Industry built up over many years -- it includes the investment in the skills of the persons operating the mills and running the equipment, in the homes and lives of the people who are dependent on the mills for their livelihood. Many of the mills are in smaller towns which have been built around the operation.

The Industry is one which exists in every major producing country. It is an essential industry and was particularly so in Canada in war time when it was put under the same pressure as other essential industries to meet the needs of the country.

The Industry employs 22,000 persons throughout Canada and that number will grow as the country grows. It will grow much faster if the Industry recovers a reasonable share of the home market.

It has been suggested that the Industry is already improving and requires no help in getting back

on its feet. It is true conditions are better but the improvement is merely relative for the Industry cannot make a proper contribution to the economy nor maintain its position unless it is able to pay satisfactory wages to its employees, maintain modern, properly equipped plants and pay an adequate return on the money invested in it. The Industry is still far from this position.

In considering how the Industry can recover further from its present position the question of Government policy must be raised.

In the first place I suggest that it is the responsibility of the Government to take some account of conditions which may eliminate any important segment of industry from the economy or which may prevent that industry from making its proper contribution to its employees, the public it serves and its shareholders. A great deal is done to encourage new industries to set up in business -- maintenance of present industries is at least of equal importance.

Canada has a tariff and a tariff policy. It was established to ensure that industries should have a chance to operate under the problems facing a relatively small and growing country. A tariff should be a living and dynamic tool of government and not something of which citizens and officials should be ashamed. It should be adjusted up or down in order to carry out the policy for which it was planned for certainly conditions change, international cost relations alter and living standards improve. To maintain a rigid tariff or establish as Government policy that it can only be

reduced is to destroy its value.

There is a widespread belief that it is in Canada's best interest to keep ALL tariffs low. Some go so far as to suggest that we should have free trade between the nations and thereby promote only those industries which are based on Canada's raw material resources and which Canada is peculiarly fitted to produce at low cost. With no tariff it may be argued that cost to these so-called natural resource industries would be lowered and they would be even more competitive in world markets.

The principle of multilateral trade is perfectly sound and, in a world free from the international problems that unfortunately exist in this one, it might be desirable for each country to produce and manufacture and distribute through the world those things which it is best adapted to manufacture but the conditions to permit this happy state of affairs simply do not exist. The facts are that other countries are not prepared to live according to these rules and I doubt that Canada is when you consider the variety of aids which this country provides to some industries which are often regarded as the most natural for us to have.

The argument also runs that we must buy goods from other countries to put them in pocket to buy our natural resources. Surely if this argument is sound the converse is true and we should restrict our purchases from those countries which buy from us less than we buy from them. Our trade position with the United States is particularly difficult and we are in a bad deficit

position on current account. It is true that this deficit is balanced by Americans importing capital into Canada but in so doing they are merely taking over a larger share in the ownership of our Canadian industries. This is a high price to pay in order to meet our trading deficit.

Under these circumstances it is important to realize that, as far as the Primary Cotton Industry is concerned in Canada, our difficulties lie in very large part in competition from U.S. Mills. The arguments which are used by so many to imply that Canada should buy abroad so that other countries can purchase our goods does not apply to the United States.

It is true that there are imports of cotton goods from European and other countries but even though we are becoming concerned about increasing imports from Japan, to date at least they have not been responsible for our problems. Competition from the States is our main difficulty because textiles are bought in large degree as a result of price attraction assisted by styling and variety of blends, fabrics and patterns, together with service and quick delivery. Canadian tastes follow the styles and trends of the U.S. market and are greatly influenced by the impact of overflow advertising from U.S. publications with the result that U.S. goods can move into the Canadian market with a minimum of difficulty.

That is borne out by the fact that imports of woven cotton products totalled 46 percent of the Canadian market in 1954 and of this figure 83 percent came from the U.S.A. If Canadian Mills enjoyed

75 percent to 80 percent of the home market the problems of the industry would be substantially relieved.

Under all the circumstances I believe it would be in the interest of the country as well as in the interest of the Primary Cotton Industry if three steps were taken to help this Industry at this time.

(1) In the first place I would suggest that the wording of Tariff Item No. 523(b) be changed to correct an unintended and unforeseen adverse effect which is explained below, and which has severely penalized the Industry. The Tariff Item relates to the protection covering the importation of coloured cotton fabrics. The effect of the accidental change was to reduce by 30 percent the protection on over half of the goods imported under this section and reduce by 20 percent the protection on a further quarter of the goods imported under the section. I mentioned earlier that the tariff protection on half of the fabrics produced by Canadian Cottons Limited had been reduced by 40 percent since 1939. The above tariff section 523(b) was largely responsible for this and it developed in the following manner.

In 1938 tariff rates were negotiated with the U.S.A. providing for a sliding scale of duties on coloured cotton fabrics (other than denim) entering Canada. The rate of duty was highest on the lower cost fabrics valued at less than 50 cents a pound as this was the bulk market which it was felt should be manufactured in Canada. Lower rates applied on goods valued at between 50 cents and 80 cents a pound and the

lowest rate of duty applied to goods valued at more than 80 cents a pound.

In 1938 practically all the coloured cotton goods of the type manufactured by Canadian Cottons Limited, were valued for import purposes at less than 50 cents a pound, and competing imports paid the highest rate of duty. The value of all these fabrics increased greatly due to the price inflation which took place in the war and postwar years with the result that these goods moved into the high value category and currently are selling at more than 80 cents a pound and the tariff protection was reduced accordingly.

In addition the tariff rates had been reduced by $2\frac{1}{2}$ points January 1st, 1948 as a result of the Geneva Conference with the result that the total reduction as far as our Company is concerned amounted to 40 percent on this classification of goods.

It is not suggested that the $2\frac{1}{2}$ points by which the tariff was reduced in 1948 be restored but it is difficult to understand why there should be any reluctance to make an adjustment in the wording of tariff item No. 523(b) when the industry is so severely penalized by the faulty drafting of the tariff clause.

(2) Secondly, the method of valuation for duty provisions of the Customs Act which was in effect prior to 1948 should be restored. Prior to 1948 goods could not be dumped in Canada from foreign countries at prices which bore no relationship to the cost of

production of these goods in the country of origin. In 1948, however, the wording of this provision was changed so that goods could be imported into Canada at distress prices. As a result Canadian industry can be severely affected by over-production and distress selling in foreign countries. Under the present wording of the Customs Act it is possible for Canada to import the depression of other countries, and this is what has happened since 1951 in the case of our Primary Cotton Textile Industry.

(3) Thirdly, I would suggest that the Government extend the period during which a loss incurred can be carried forward for Income Tax purposes so that those companies which have suffered unduly during the last few years may have a better opportunity of recovering these losses in the future.

May I thank you very much for the opportunity of appearing before you and expressing these views.

THE CHAIRMAN: Thank you, Mr. Bonnycastle. I understand that many years ago both you and Mr. Grauer were Rhodes Scholars so it might be appropriate if we asked him to start the questions.

MR. BONNYCASTLE: He took Political Economy, I think, at Oxford; I only took law.

MR. GRAUER: I have not go much to ask. I notice in the first paragraph you say that most of your business experience has been in other areas. I think it might be interesting to hear what other areas your business experience was in.

MR. BONNYCASTLE: Well, Mr. Grauer, I have been in various activities in business life. I started out in the life insurance business. I was Vice-President of a brewing company. I went back into the life insurance business as Managing Director of a company in Toronto. Since then I have been associated with various companies, one in the distributing end of the coarse paper industry that also manufactures some coarse paper, other distributing companies, a printing company and some companies which are associated with the automobile business.

MR. GRAUER: That is a very broad field of experience.

MR. BONNYCASTLE: The thing that I have been most impressed with was that all the companies have had all the problems that the textile industry has faced in the post-war period, getting back and doing a merchandising job and training their salesmen who had been doing nothing during the war except telling people that they could not give them goods and trying to do a real selling job. This industry is not any worse than any other in that respect.

MR. GRAUER: I rather gathered the challenge lasts a little longer than in the other companies.

MR. BONNYCASTLE: Conditions are less favourable.

MR. GRAUER: You said that the chief competition is from the United States?

MR. BONNYCASTLE: Yes, definitely.

MR. GRAUER: On the side of purchasing raw material, which as you pointed out is important, where does it usually come from?

MR. BONNYCASTLE: It varies depending on world conditions. I think in the past -- and I speak only for the last few years as I have only been in the industry that long -- we have purchased most of our raw materials in the States. Currently we are purchasing a substantial amount in other countries, particularly Mexico. Depending on price variations you purchase your raw materials from anywhere from Egypt to United States, South America, Mexico, even Pakistan and India.

MR. GRAUER: I don't suppose you are the right person to ask the question of, but on the side of wool, what proportion of the raw material comes from Canada?

MR. BONNYCASTLE: What proportion aside from wool?

MR. GRAUER: What proportion of the wool?

MR. BONNYCASTLE: I can't answer that.

Mr. Cleyne, I think, will probably be discussing that later.

MR. GRAUER: On page 2 and partly on page 3 you discuss certain general principles or policies and it is a little difficult to get just the extent to which one would go. These things are largely a matter of degree. For instance, at the top of page 2 you hope to develop a more balanced economy with more reliance being placed on the growth of secondary manufacturing process^{than the} hope to rely indefinitely on natural resource industries as

the main prop and support of our economic future. There is a bit of "either - or" there. I don't suppose you intend to imply ---

MR. BONNYCASTLE: Not at all. I think the stress in the past has been very largely on the natural resources industry with very little attention paid to the expansion of the manufacturing industry.

MR. GRAUER: I wonder to what extent the evidence here shows that. It seems to me that a good part of the trouble is that a good many things that were that way in the past have been changed. For instance, when you come to the three solutions you suggest, you said so, that it was not intended, it happened because of an inflationary rise in price that was not expected.

MR. BONNYCASTLE: Yes.

MR. GRAUER: That would rather look as if the present situation is a bit abnormal compared to the past. I don't know to what extent you would agree with that.

MR. BONNYCASTLE: I think that my complaint would be more that there has been little done to correct inequities which have developed as a result of changes in the economy.

MR. GRAUER: Yes, well, it is rather a different emphasis. That is what I was trying to get at. One attitude more or less states that the manufacturing industries in general and textiles in particular under the same protection are doing their best to survive and the other simply said that "We

are basically a basic industry and we are closing a gap between ourselves and the United States and we can't stand certain things being withdrawn".

MR. BONNYCASTLE: I think it is a matter of degree. I don't think I am in a position to say how far this would go.

MR. GRAUER: In the next paragraph you say:
"....whether steps should not be taken to ensure that Canada is in as strong a position as possible to meet the demands of a growing population for an increasing and stable standard of living."

I don't suppose you would argue that a manufacturing industry which cuts out the raw material export industry which Canada has would not give some employment?

MR. BONNYCASTLE: No, definitely not.

MR. GRAUER: Then it is a question of reading this general statement together with the remedies you propose at the end.

MR. BONNYCASTLE: That was my thought.

MR. GRAUER: It would show that there is nothing extremely drastic that you are putting forward.

MR. BONNYCASTLE: No, I am not suggesting anything drastic, merely an attempt to appreciate the problem that the industry has arrived at and a possible solution to it.

MR. GRAUER: When you look at all the factors that are listed at the bottom of page 4 there is an imposing array of things that have hit the industry all at once. Some of them are of a temporary nature,

that is, they may last for some time -- for instance, Canadian rate of exchange has not been the highest in the world forever. It is just a question that the industry on top of everything else seems to have been hit by everything that could hit it at one time.

MR. BONNYCASTLE: That is correct and the major thing that hit it was the real depression which occurred in the United States in the textile industry and it did not occur in any other industry in the States and I think that has more bearing on the point that Dr. Stewart raised when he questioned whether our real competition is the American competition. There is no question that it is. He then points out that the volume of trade has not changed drastically since 1945 to 1949 and that is true. The thing that has really hurt us has been the great drop in price which occurred in the States and which automatically forced our prices down. So that it is not only the volume -- in fact, we have not had a volume which has been sufficient to have kept us as solvent as we would like to be but the prices we have been receiving are artificially created by the American depression.

MR. STEWART: Has there been some reduction of over-production in the United States?

MR. BONNYCASTLE: There has been some small amount. There has been some volume of spindles and looms taken out of production but I think what has actually happened is more of a merger of companies. The production is still there but they have had a larger local volume of business which has removed

some of the pressure.

MR. GRAUER: The fall in prices has not brought the situation close to the point where the sliding scale will start to operate in your favour, I take it?

MR. BONNYCASTLE: That there may be an improvement in price?

MR. GRAUER: No, the fall in price brought about by the decline in ~~the~~ United States has not tended to relieve the situation which you point out in No. 1 in your recommendations. You are still not down to the pre-war level?

MR. BONNYCASTLE: I am not sure that I understand that question.

MR. GRAUER: Well, in point 1 of your three steps to healthy industry you point out the --

MR. BONNYCASTLE: I see your point. No, I don't think there is anything temporary in the rise in the price. I don't think any of us would assume that prices generally were going to go back to where they were in 1938 or 1939.

MR. GRAUER: I think you are right there.

MR. BONNYCASTLE: If anything we may rise further and there may be some of the goods which are coming in in the more highly protected area moving into the lower.

MR. GRAUER: The financial situation outlined at the top of page 6, I gather that in general you feel the industry in Canada is competitive with other countries as far as efficiency is concerned in

the degree of obsolescence in machines and so on, keeping up with technological improvements?

MR. BONNYCASTLE: I can't answer that very authoritatively. The information I have is that the Canadian mills are very close to the level of the average mills in other countries with the possible exception of Japanese mills which have been largely rebuilt since the war and I think you have had a larger percentage of the United States mills that have moved south, of course, rebuilt. On the average we are not inefficient from a machinery point of view or from an obsolescence point of view.

MR. GRAUER: But you would need capital to maintain that position?

MR. BONNYCASTLE: Very definitely.

MR. GRAUER: And I judge from those figures that capital would not be very readily available?

MR. BONNYCASTLE: I think under present circumstances capital would be hard to come by.

THE CHAIRMAN: Well, thank you very much, Mr. Bonnycastle.

Now, it is suggested we change the order slightly, with the approval, I gather of Mr. Cleyne and Mr. Bruck and that we ask Mr. Giles if he would go on next and present his brief which we will mark Exhibit 184.

MR. GILES: In inviting me to appear before the Commission, your Chairman suggested that I should give my views on probable future developments in the textile industry over the next two or three

decades and on the probable future size of the market for synthetic textile fibres and their effect on the use of natural textile fibres. He also suggested that the Commission would be interested in learning how Canadian costs of production compare with those in the U.S.A. and other countries, and whether these relative costs are likely to change in the future.

2. As large suppliers of the textile industry's raw materials, (Courtaulds (Canada) Limited in 1955 supplied about one-sixth of all the textile fibres used in Canada) my Company is vitally interested in the future of the textile industry as a whole; but we have no direct large-scale experience in converting textile raw materials into fabrics and other finished textile products. Therefore my remarks regarding the textile industry as a whole must be of a general character and the main emphasis of my submission will be on the production and supply of man-made fibres.

3. In considering the questions posed by your Chairman and trying to assess future trends, I have naturally had to make certain assumptions and estimates regarding the growth of population, of national income and of the market for textile fibres. I have assumed that by 1980 the Canadian population will have reached 25 million and that the consumption of textile fibres, which in recent years has amounted to some 350 million to 400 million pounds annually, will have doubled and will amount to some 700 million to 800 million pounds. It may be of interest to note that this rate of growth is of the same order as that which has occurred during

the last 20 to 25 years, during which period textile fibre consumption has increased from around 250 million pounds to the present figure of 350 million to 400 million pounds.

4. The estimates I have just given refer to all textile fibres, whether produced in Canada, or imported in fibre and processed form, and include both man-made fibres and fibres of natural origin. The growth in the production and use of man-made fibres over the past 20 years represents a remarkable development. In 1935 man-made fibres accounted for about 7 percent of total fibre consumption; by 1945 their share had increased to 16 percent and in the past year or so it has been running at over a quarter of the total.

5. It is, of course, impossible to predict with any degree of accuracy consumption trends 25 years from now, because the technological development of man-made fibres will probably continue to be as rapid and far-reaching as it has been in the past; long-term economic and, in some cases, political considerations will affect the price and availability of natural fibres; and styles and fashions may undergo radical and unforeseeable changes. Nevertheless, on the basis of our present knowledge and expectations, it does not seem unreasonable to expect that by 1980 the proportion of man-made fibres will have increased to some 40 percent of the total weight of fibres used. Taken in conjunction with the expanded overall consumption of textile fibres by 1980, this would mean a requirement for man-made fibres of some 300 million pounds or approximately three

times the present total. If these estimates are correct the consumption of natural textile fibres as a whole will still be somewhat higher than it is today; but the major part of the growth in consumption by 1980 will be taken up by man-made fibres.

6. The above remarks and estimates include man-made fibres as a group. I should, however, point out that the expression "man-made fibres" covers a wide variety of textile fibres, such as viscose, acetate, nylon, and the acrylic fibres. These differ as much from each other in properties and price as do, for example, cotton and wool. My own Company produces fibres made by the viscose process which uses wood pulp as its main starting material; today viscose fibres represent by far the greatest proportion by weight of the total man-made fibres used in this country and throughout the world. In the next section of my submission in which I shall attempt to deal with certain aspects and problems of the man-made fibre industry, the information which I give will necessarily be based on the direct experience of my own Company and therefore will relate to viscose yarns and fibres only. Nevertheless I think it probable that many of the observations which I make are applicable to man-made fibre production as a whole.

7. Production of viscose yarn began in Canada in 1925 and in that year around one-half million pounds were produced. Growth was rapid and by 1935 production had increased to eight and one-half million pounds. During the war and postwar years new types of

viscose yarns and fibres were introduced and output was extended further so that by 1955 total production of yarns and fibres at our plant at Cornwall exceeded 60 million pounds. The manufacture of viscose yarns and fibres is based almost exclusively on Canadian raw materials, labour and services. In 1955, in addition to our considerable payroll, 98 percent of the total materials and services used in our production process, costing some \$15 million were purchased in Canada.

8. This growth of viscose production and its consequent contribution to the Canadian economy has not been without periods of considerable difficulty and would not have been possible at all without the tariff protection which was given, especially in the early years of development when production was inevitably far below an economic level and at relatively high cost. It is important to realize, however, that taking our products as a whole, the effective level of tariff protection has fallen substantially over the years and today the average level of protection is only one half of that which existed in earlier years.

9. It has been our constant endeavour over the years through improved efficiency and an increasing scale of operation to keep our selling prices competitive. In that regard I think following Dr. Stewart's question of this morning and the answer that was given by Mr. Berry in connection with technological change and the possibilities in the industry, it should be noted that we are very young in the man-made fibre field and there is a lot more room for further technological improvement and

increased efficiency as has been the case in our own company where, since the war, with the same number of employees, our production has risen from 14 million to a potential 90 million pounds because of improved efficiency and large batch operation. I wanted to particularly make that point because I think Mr. Berry was referring to the weaving side of the synthetic fibre business.

It has been our constant endeavour over the years through improved efficiency and an increasing scale of operation to keep our selling prices competitive. The following comparison of home market prices for typical viscose products in Canada, the U.K and the U.S.A. show that we have not been unsuccessful in this respect, bearing in mind the problems arising from our Canadian circumstances which I will be discussing in detail later.

	Published Home Market Selling Prices in		
	<u>Canada</u>	<u>U.S.A.</u> (per lb)	<u>U.K.</u>
150 denier Viscose, Bright Cones	80¢	83¢	68¢
1650 denier "improved" Viscose Tire Yarn on Beams	69¢	64¢	58¢
Dull Viscose Staple Fibre	32¢	33¢	28¢

Note: 1. Prices as of 10th February, 1956

2. Exchange rates \$1 U.S. - \$1 Can.; £1 Stg.- \$2.80

It will be realized that these prices cover delivery to customers' mills in the domestic market concerned only. In the case of the U.K. the additional cost of shipping

to Canada, and of handling, warehousing and distributing to customers' mills would bring the delivered price very much closer to the Canadian domestic price. I have quoted this comparison with the U.K. and U.S.A. simply to indicate that as far as the national economy is concerned, our operations are economic. In certain supplying countries, the price of some important viscose products are, for special reasons, even lower than the U.K. prices and tariff protection is clearly needed.

10. I must emphasize that the price comparison which I have tabulated above refers to the home market prices in the U.S.A. and U.K., which I believe are adequate to cover total costs and to provide reasonable profits. I shall be discussing later certain aspects of the cost structure of viscose manufacture but wish to say here that the burden of fixed charges and overhead is high because capital investment is large in relation to the value of output, and the plant is of a complex nature involving continuous operation and heavy running expenditures which have to be incurred whatever the level of output. In order to recoup this heavy overhead it is usually profitable to seek additional sales at prices which are less than total costs, provided they cover out-of-pocket costs and make some contribution towards the overhead burden. In order to preserve the relatively profitable domestic market in which the main volume of sales is usually made, a common practice among foreign viscose producers is to seek such additional business abroad, and this is the process usually known as "dumping". We know of goods being offered in world export markets at prices very much lower than home market

prices (or total cost). Obviously the dumping of only small quantities of such artificially cheap goods can completely disrupt a stable market, even where the prevailing market prices bear a realistic relationship to total costs under efficient manufacturing conditions. Such selling practices may be consistently pursued over long periods and are not necessarily confined to the occasional disposal of unexpected surpluses. Indeed in some circumstances it may be worthwhile for a producer to undertake new capital expenditures to expand output with the intention of selling abroad at "dumping" prices. For this reason, it is imperative that a scale of import duties and effective customs procedures should exist which will effectively prevent such imports from entering the country, disrupting the market and destroying the conditions in which healthy development and growth can take place.

11. I have claimed that the manufacture of viscose yarns and fibres in Canada is carried out efficiently and should like to support this by the following comparisons. I hope that these figures will also answer the Commission's request for information on comparative costs in Canada, the U.S.A. and the U.K.

12. Although we do not have any direct access to American production cost information, the indications which we have and our knowledge of the manufacturing process suggest that the usage of raw materials and production labour, which together form by far the largest part of direct production costs, are similar per unit of output in the U.S.A. and here. The prices of these

raw materials are not greatly different in the two countries. The somewhat lower wage rates in Canada are probably offset by the slightly higher efficiency which the Americans obtain by virtue of their immensely larger market; this enables them in many cases to concentrate the production of individual types in separate factories, whereas our present Canadian market only justifies one large factory in which all types must be manufactured. All in all, direct production costs are likely on the average to be about the same in the two countries.

13. This similarity of unit cost levels refers only to direct manufacturing costs. I have already referred to the relatively heavy overhead and fixed charges which are caused by the nature of the viscose process and have pointed out that the greater the market and the volume of production over which this overhead can be spread, the greater the return to the manufacturer and, in the long run, the lower the cost. Although we do not have direct information as to the overhead costs of American viscose producers, an analysis of the published financial results of three leading American companies in this field shows that in recent years all of them have made more satisfactory profits than has my own Company, despite the fact that on the average their direct production costs have probably been no lower than ours. The answer is, I think, to be found mainly in their larger volume of operations, which reduces the total cost per unit of output and thus increases profitability.

14. We have also made comparisons of

efficiency between our own Canadian operation and similar operations in Great Britain. Here we have somewhat more precise information, thanks to the assistance of our parent company in the United Kingdom, Courtaulds Limited. Courtaulds Limited have a world reputation for high efficiency and provide a very high standard of comparison for any viscose manufacturer in the world.

15. The first comparison I would like to make is in the usage of raw materials and production labour per unit output, and taking the Canadian figure in all cases as 100, we obtain the following comparison for our three main products:

	<u>Quantities used per Unit of Output</u>	
	<u>Canada</u>	<u>U.K.</u>
<u>Viscose Textile Yarn</u>		
Raw Materials	100	100
Production Labour	100	91
<u>Viscose Tire Yarn</u>		
Raw Materials	100	98
Production Labour	100	95
<u>Viscose Staple Fibre</u>		
Raw Materials	100	102
Production Labour	100	81

16. The usage of raw materials per unit of output was practically identical in Canada and the U.K., but owing to their larger market and the resultant ability to concentrate the manufacture of individual products in separate large factories, the U.K. plants were able to obtain a somewhat more efficient usage of

production labour than we have been able to in our Canadian multi-purpose plant. These findings conform to the suggestions made above in comparing Canadian efficiency with that in the U.S.A.

17. The prices of the raw materials used are not substantially different in the two countries, but when the cost of labour is examined significant differences emerge. Average earnings per hour (including social and insurance benefits) of our production workers in Canada are approximately two and one-half times those paid to the corresponding workers in the U.K.

18. We have been able to make an analysis of the effect of size of production on the ratio between direct and indirect costs. The total expenses of four viscose manufacturing companies of different sizes, within the Courtaulds' Group, all operating under approximately similar conditions, have been examined with the following results. In the largest of the four companies, indirect expenses totalled 52 percent of the direct expenses; in the second, which was considerably smaller, the figure was 83 percent; in the next, which was somewhat smaller still, 86 percent; and in the smallest of the four, 91 percent. I should point out that our Canadian Company compares favourably in this respect with similar sized companies within the Group, but unfavourably with the largest.

19. Now, it is obvious that the largest of the four companies referred to, with a much lighter burden of indirect costs than the others, would be able to operate more profitably and be more competitive, even

though direct manufacturing efficiency was no better than in the other three.

20. The combination of the relatively heavy overhead burden and the competitive prices at which we do and must sell our product results in a low return on the capital which is employed in our business. In 1948 my Company appeared before the Prices Committee of the House of Commons and at that time revealed its capital investment, profits and return on capital. It was then asserted that owing to the need continuously to develop and modernize equipment it was considered necessary to have a return on capital of at least 10 percent. Since then our selling prices have remained relatively stable. Costs on the other hand have risen; the average earnings of our workers have increased by 40 percent since 1948 and the prices of raw materials have risen by 26 percent. Through improved efficiency as a result of extensive modernization, and an increasing scale of operations, both involving heavy capital expenditure, we have been able to offset a considerable part of these increased costs. Nevertheless return on capital has been unsatisfactory and unless there are reasonable prospects for some improvement in this respect there must be some doubt whether adequate funds will be available, either from existing shareholders or from other sources, to finance extensions to capacity.

21. In this connection we are spending considerable sums on research and development here in Canada in an attempt to overcome some of the difficulties to which I have referred. This research effort supplements the

extensive research work of our parent company on viscose products and production methods which is freely available to us, and is directed primarily to those problems which are particularly urgent here in Canada and which arise from our Canadian circumstances. This Canadian research effort is still being built up but already considerable success has been achieved particularly in viscose tire yarn development and we are now one of the leaders in this important technical field.

From the market point of view that is terribly important. The use of rayon cord in tires, as I am sure everybody knows, has a great effect now in our Canadian production and we are very happy now to be able to say that in Canada we produce tire yarn which is second to none in the world and that is a very recent development.

22. Turning to the future level of costs of viscose yarn and fibre production in Canada, it will be evident that this will depend on the following factors:

(a) I have already tried to demonstrate that in our Canadian circumstances, our manufacturing efficiency compares not unfavourably with that of producers in the U.S.A. and the U.K. With our considerable research and development here in Canada, and with the assistance of our parent company, I see no reason why our relative efficiency should not be maintained, or even improved.

(b) Because we use exclusively for our production, Canadian purchased materials and services and Canadian labour, our future costs in this respect will depend to

a great extent on the general level of Canadian prices and wages. Provided these do not get further out of line with those elsewhere our present competitive position in this respect should be maintained. I have already pointed out that wages and salary rates are roughly two and one-half times more in Canada than in the U.K., and even higher as compared with certain European countries and Japan.

Subject to the foregoing, the chief factor which will influence the future level of our costs in relation to other manufacturing countries, will be the scale on which we are able to operate.

23. In my opening paragraphs I referred to a total textile consumption, during the last year or two, of some 350 million to 400 million pounds of which somewhat more than a quarter was of man-made origin.

Although complete figures are not yet available for 1955, the total consumption of man-made yarns and fibres in that year seems to have been in the neighbourhood of 110 million to 120 million pounds of which perhaps 70 to 75 percent was of Canadian origin. Domestic open market sales value of this quantity of man-made fibres was probably around \$80 million which is a fair indication of the contribution which the industry makes to the Canadian economy and to the balance of payments. If we assume that the Canadian industry maintains its present share of the expected market in 1980, the total sales value, on the basis of today's prices, would increase to some \$250 million per year.

24. The importance of such a contribution to

the economic well-being of the country, based as it is on Canadian materials, services and labour, does not need to be stressed. It must, however, again be emphasized, that in addition to the very large sums which will be required to maintain and modernize existing plant, an expansion of this order would require large capital investment, probably well in excess of \$100 million over the next 25 years. If Canada is to reap the benefit of the potential contribution to the economy which can be made by man-made fibres, then conditions must exist in which the necessary additional capital is attracted for the expansion of man-made fibre production and for modernizing existing facilities. As I have already pointed out, such conditions must obviously include reasonable prospects of obtaining a return on capital commensurate with the risks involved, which in turn depends upon the industry's ability to sell in sufficient volume and at prices properly related to the manufacturing costs of an efficiently-run industry using Canadian raw materials and labour.

25. This fact emphasizes that an essential and obvious condition for the future expansion and indeed the survival of a man-made fibre industry making a major contribution to the Canadian economy is the existence of a healthy textile industry capable of converting these textile raw materials into finished articles such as clothing, household textiles and industrial textiles. Although there is no reason why the man-made fibre industry should not develop products, which by their technical excellence can be sold in export markets,

the relatively high cost of Canadian labour and services (which result from the high standard of living) and the prevalence of dumping is bound to make the bulk of Canadian production non-competitive in world markets. Therefore the main outlet for Canadian produced man-made fibres must be in the domestic market.

26. The size of the future domestic market for textile fibres and the fortunes of the textile industries here in Canada are therefore of vital concern to all Canadian man-made fibre producers. (In referring to the "textile industry" I mean the conversion of fibres and yarns into finished textile products as distinct from their manufacture which I have already dealt with sufficiently.) Nevertheless, as I pointed out in my opening remarks, my company has no direct large scale experience in the processing of the yarns and fibres which we make, and my remarks in this field must necessarily be of a general nature. I do not intend, nor indeed am I in a position to discuss in detail the extent to which the Canadian textile industries will or ought to be able to supply the increased demand for textile products which can be expected over the next two or three decades, but would like to put forward the following observations as being of possible interest.

27. Because generally speaking capital investment is relatively less important in the textile industry than it is in the man-made fibre industry, wage costs are correspondingly more important and this means that the textile industry is highly vulnerable to competition from low-wage countries such as Japan. From a study of

comparative manufacturing costs in Japan and Canada it is evident that Japanese costs are far lower than those in Canada owing to the cumulative effect of low wages at all stages of production. Whilst the divergence may diminish in the distant future if the Japanese standard of living rises, it is certain that in the next several decades Japan must constitute a major threat to the Canadian industry. Schemes for voluntary limitation of exports by Japan, such as are now reported, will not provide the basis of confidence which will be needed in the Canadian textile industry to attract the large investment. In order to create this confidence, a clear statement by the Canadian Government that it does not intend to rely on the Far East for a major proportion of Canadian textile needs is required. In considering this question it will be necessary to take into account the benefits which are derived from the existence of a Canadian textile industry.

28. First of all, I should like to deal with the textile industry as an employer of labour. The industry employs a large number of people, but this factor alone is not so important as is the type of person it employs, the season in which it employs them, and finally, the geographic location of the employment. In the first place, the employees of the textile industry are predominantly women. Now, of course, that is not exactly accurate. We know from a brief that was presented this morning that the proportion is 42 percent but compared with other industries there is a predominance. The seasonal peak of employment in the industry comes

during the winter months when alternative employment is least available, and finally, the employment is predominantly located in the smaller communities where, without the textile industry, there would be little opportunity for the women in these communities to earn a living and thus contribute to the prosperity of the country as a whole. Indeed I would question whether in the absence of secondary industries such as textiles there would be employment opportunities for the increased population which is generally expected. Excessive dependence upon the export of primary products could well be associated with a declining or stationary population, with the younger and more vigorous elements seeking their opportunities outside Canada, except for the relatively few who might be needed in the extractive industries. A deliberate policy of encouraging the growth of industries which give employment to large numbers of people may itself be a necessary condition for creating an expanding economy.

29. The existence of a domestic textile industry supplied with most of its man-made fibre needs by an industry which uses raw materials produced in Canada, reduces the foreign exchange expenditures which would otherwise be incurred in meeting the needs of the population. This might be of secondary importance if exports of primary products could always be relied upon to provide sufficient foreign exchange to meet these needs by importation; but because the prices of primary products and the markets for them are so liable to wide fluctuations, an increased dependence upon

imports to meet the country's basic textile requirements might well accentuate the occasional balance of payment problems which it may be impossible for a country like Canada to avoid completely, but which economic policy should aim to minimize. In addition to the instability of income derived from the sale of primary products, the instability of expenditure which might result from dependence upon imports must be taken into account, for experience shows that in times of scarcity prices of textile fibres and products in the international markets rise to excessive levels by comparison with the more stable price levels in countries with their own domestic textile industries.

30. If Government policy is based on the belief that benefits such as these justify the adoption of measures to protect the textile industry from competition which it could never be expected to meet by its own efforts, however efficient, it may be appropriate to consider the action which will need to be taken within the industry to ensure that the Canadian consumer gets full advantage from the existence of a domestic industry. The technology of fabric manufacture is changing rapidly largely because of developments in the man-made fibres. Fabric manufacturers are continuing to assess the behaviour of various fibres and blends of fibres in different fabrics. The growth in the relative importance of the man-made fibres to which I have referred will depend upon textile companies in Canada taking part in these developments. To do this they will need both the resources to investigate new ideas and also a sufficiently

large and stable market to make such devotion of resources to development a profitable undertaking. Aggressive research and development work will create the need for new plant and manufacturing methods. These will involve heavy capital investment, and rationalization to obtain the full advantage of long runs and mass production methods may well impose a need for structural changes in the organization of the industry.

31. I have referred to the need for rationalization of production and I have mentioned the handicaps under which my own Company operates because we have to provide all the variety of products required by the Canadian market. In our own case this problem has no easy solution because we have the only plant in Canada making viscose fibres but, in the later stages of processing, I believe that considerable advantages could be achieved if some degree of specialization could be worked out within the industry. Such arrangements would permit those firms most suited to the manufacture of a given product to achieve runs of an economic size and could well result in lower prices. There would have to be safeguards to reassure the public that the prices charged were fair; though the ever-present threat of imported goods would automatically impose restraint.

32. A textile industry developing in the ways I have indicated will look to the Government for various kinds of assistance to which I wish to refer. The first point I should like to discuss is education. Canada is now, and must be even more in the future,

dependent upon an ample supply of men trained in technical and managerial skills, and the supply of such men is now severely limited. My own Company and many other Canadian companies are spending much time, effort and money in trying to alleviate the shortage but this is not sufficient. I hope that your investigation will find some yardstick of the nation's educational requirements and suggest some practical steps to meet them.

33. My next topic, research, is also a difficult problem facing Canadian industry. I have referred to the fact that companies here are faced with the tremendous problem of keeping pace in the technological race which is going on in the world today; on the one hand, if they fall behind they lose their home market to imported goods; on the other, if they institute major research programmes they are inflating overheads which by nature of Canadian circumstances are already disproportionately heavy. It could be argued that such companies as ours, with large parent companies abroad, do not face these problems and they are indeed alleviated to some extent but by no means abolished, as I have already indicated. There are many ways in which this situation could be relieved by Government action, such as the commissioning of basic research projects in universities, research institutions and industry itself, the fostering of industry research associations and additional tax incentives.

34. Earlier in this discussion I touched upon

the question of exports and said that, insofar as our own operations were concerned, I could not foresee our being able, under normal conditions, to export any major proportion of our standard products. This is perhaps true of all North American manufacturers of products which are made in large quantities elsewhere; but does not mean that export business is unimportant. There are two conditions under which export business can be important to Canada; the first, where production is greater than domestic demand; the second, where the Canadian product is unavailable elsewhere or has some feature which makes it preferred. At present the would-be exporter of manufactured goods, even if he can compete with Government subsidized exports from elsewhere, has to face currency regulations and customs' administration practices which in many cases are thinly-disguised protective devices, and in addition, long-term credit facilities guaranteed by other exporting countries. I should like to suggest that the Government might assist in removing some of the barriers to the development of Canadian exports of manufactured goods by suitable action in its negotiations with other countries, and by instituting an effective system of export credit guarantees.

35. These comments on the man-made fibre industry and the textile industry with which it is interrelated have been made in the light of the rising textile needs of the Canadian population. If the conditions can be created whereby the increased demands for man-made textiles which I have forecast can be satisfied by Canadian produced and processed yarn and fibres, then

the benefits to the economy as a whole to which I have referred will be realized. If, however, we fail to take advantage of these opportunities even the present benefits will be jeopardized to the advantage of foreign suppliers. I hope that I have conveyed to you my conviction that the conditions for a stable growth to the benefit of the whole Canadian economy are present in the industries which I have discussed, if Government and industry both make their respective contributions.

THE CHAIRMAN: Thank you very much, Mr. Giles. I would like to ask one or two questions if I may.

On page 5 at the top, comparison is made between the United Kingdom and the United States and then you say:

"In certain supplying countries, the price of some important viscose products are, for special reasons, even lower than the U.K. prices and tariff protection is clearly needed."

Is that the dumping situation that you refer to?

MR. GILES: I am thinking specifically of Norway in that case, Mr. Chairman, where the domestic textile industry is very small and their home market prices are relatively unimportant and they can establish and do, in fact, establish, very low home market prices. That was the specific point.

THE CHAIRMAN: Then, in the following paragraph in talking about dumping I was not clear how it would pay a company to build a new plant and spend the capital that that would require if its objective

was to export the product at dump prices.

MR. GILES: Well, I suppose, Mr. Chairman, one would have to regard that as being the expansion in preparation for the expansion of the home market.

THE CHAIRMAN: It is a way of getting started?

MR. GILES: I would think so, yes. It is just what I suppose we have all done in a small way in allowing some of our off-takes to go at a low price to carry a share of the overhead.

THE CHAIRMAN: Is Norway the culprit again or are there other countries? Where is that happening, is it in Norway or more general?

MR. GILES: I think it could be considered to be general in central Europe.

THE CHAIRMAN: We heard a lot about the desirability of further processing in Canada of our national resources and I suppose that is exactly what you are doing as long as you are able to sell your products, is that true?

MR. GILES: I don't quite understand your question. We are purely horizontal. We produce yarn and staple fibres.

THE CHAIRMAN: But you are producing it from what?

MR. GILES: Wood pulp and chemicals.

THE CHAIRMAN: So to that extent you are processing Canadian raw materials?

MR. GILES: Exactly.

THE CHAIRMAN: On page 16 in discussing

the weaving and spinning industry you point out that heavy industrial investment will be required. You also refer to rationalization which you expanded a little later in saying that you meant the concentration of production in specialized plants and you also mentioned that it might well impose a need for structural changes in the organization of the industry. Have you anything specific in mind or are you talking in general terms?

MR. GILES: I am talking in general terms, Mr. Chairman, because I think there has been every indication that where some streamlining has taken place within the industry and right within our own industry we have been able to produce more efficiently. I was questioned about that earlier and I made the statement that I felt we should not be producing on an engine lathe what normally is better made on a turret lathe. I think that applies to this industry as well as to the heavy engineering industry.

MR. GUSHUE: I think your point as to protection is against low wage countries as well as duties?

MR. GILES: Yes.

MR. GUSHUE: And you say on page 14, I think:

"....a clear statement by the Canadian Government that it does not intend to rely on the Far East for a major proportion of Canadian textile needs is required."

How do you suggest that could be implemented?

MR. GILES: Well, I think it could best be implemented by placing values, as was suggested this morning, on importation of fabric.

MR. GUSHUE: That is not necessarily dumping, is it?

MR. GILES: No, it is not necessarily dumping. It is exactly the point that Mr. Gordon brought out when he referred to the low cost, particularly in Japan, of high quality grey goods, for instance.

MR. GUSHUE: You think that remedy would be adequate?

MR. GILES: I should certainly think it would help us.

MR. GUSHUE: That argument of course, obviously does not apply against the United States and you did not deal with the situation as between Canada and the United States in any great particularity except to point out the United States was in some ways a bigger producer.

MR. GILES: Exactly.

MR. GUSHUE: What would you regard as the policy which would best suit the Canadian producer in your own line, for instance, vis-a-vis the United States -- higher tariffs, lower tariffs?

MR. GILES: I think the present tariff is quite adequate vis-a-vis the United States.

MR. GUSHUE: Do you think if there was no tariff the Canadian producer would have a good wicket, if you would like to put it that way?

MR. GILES: I think if it could be concentrated on the United States situation, the answer would be yes.

MR. GUSHUE: That is what I am trying to do at the moment.

MR. GILES: I think if it can be concentrated on the United States the answer would be yes. I can best answer your question by stating that if our total production in the last year, considering our total production in the last year, if we had imported the various items from the lowest cost countries we would have been very badly beaten but overall in competition with the United States and the United Kingdom, we were quite competitive.

MR. GUSHUE: That could conceivably lead to the growth of the Canadian industry if you could have it within a limited field?

MR. GILES: I would suggest that is highly theoretical.

MR. GUSHUE: But I think it is in line with your answer, isn't it?

MR. GILES: It is hardly in line with the policy, though, is it?

MR. GUSHUE: You mean the Most-Favoured-Nation treatment?

MR. GILES: Exactly.

MR. GUSHUE: Neither is the one you suggested before in regard to the Far East. It is ahypothetical question. There is just one more I have. Also on page 14 at which you were looking, you say:

"The deliberate policy of encouraging the growth of industries which give employment to large numbers of people may itself be a necessary condition for creating an expanding economy."

Is this a very general statement? How far would you be prepared to go? Would you be prepared to disregard the consumer entirely in a policy of that sort -- cost to the consumer?

MR. GILES: No, I should not think that would be necessary.

MR. GUSHUE: That would be a factor, wouldn't it? It is a very broad general statement. I just wonder whether you meant it to be as broad as you made it.

MR. GILES: I certainly did not intend it to be at the expense of the consumer but I think in a country such as this and particularly some of the younger industries we have got to regard that type of protection as being necessary until the industry has reached a size where it can be of real benefit to the country and ultimately to the consumer.

MR. GUSHUE: It would be a matter of size and perhaps age of the industry, would it?

MR. GILES: Yes, I would think so.

THE CHAIRMAN: Thank you very much, Mr. Giles. We are very grateful to you.

Mr. Bruck, would you like to be next? We will mark your statement as Exhibit 185.

MR. BRUCK: Mr. Chairman, Members of the

Commission: In submitting this brief, I do so in the belief that the industry of which my Company is a part, represents a significant segment of Canada's growing industrial complex. I proceed in the premise that this country, blessed with abundant natural resources, will continue to mature and take an even more prominent place among the community of industrial nations. Canada is now a growing industrial nation with ample resources, and not a nation of ample resources with some industry, such as it was fifty years ago. Since I believe a trend towards industrialization is clear and our population has far outgrown the limits of a small nation, whose function is to supply raw material to other countries, I must further presume that our trade policies will be formed with a view to our present and growing position as an industrial factor in the world. There is no major industrial nation without a significant textile industry, and I believe that a strong textile industry is vital to the well being of this country.

The Primary Textiles Institute, in its brief, has presented a background which underscores the importance of the textile industry and sets forth its relationship to the major industries of this country. I shall attempt to supplement this brief by presenting some views pertaining to the synthetic fibre and fabric section of the industry.

Since I naturally have a more intimate knowledge of its affairs, I will use my company's background and present situation to illustrate my views respecting the future of the synthetic weaving industry

as a whole. This is especially appropriate because, in many respects, this company is representative of the industry.

Bruck Mills founded what is now known as the synthetic weaving industry and I would like to review our progress only for the purpose of illustrating, in human terms, what an industry such as ours should be able to continue to do in the future.

We started to operate in Cowansville, Quebec, in 1922, the first firm to weave wide silk fabrics on what was then a fairly large scale, starting with 24 looms and 40 employees. In 1923 and onwards, other new companies were formed and new plants were opened in various parts of the country. Soon there was in existence a reasonably substantial industry.

About 1929, the use of synthetic yarns began to assume some importance and there began a gradual swing away from silk yarns. Since then, many new synthetic types have been developed with exciting new characteristics. What was the silk industry 35 years ago is now the synthetic fabric industry; an industry whose basic raw materials are indigenous to Canada; an industry whose primary yarn plant investment represents hundreds of millions of dollars.

It is interesting to draw a parallel between the establishment of our Cowansville plant 35 years ago, the subsequent growth of the town in which it was located, and similar activities on the part of other textile manufacturing towns, particularly in the province of Quebec.

Cowansville was a town of 700 people in 1922. In addition to a furniture factory, which had been established many decades prior to that time and who then employed about 100 people, there was no industry of any note in the town. Today, Bruck Mills employs 1,000 people in Cowansville. The same furniture factory employs 200 to 300, and one new industry employs in the neighbourhood of 100 people. The town has now a population of 5,000 -- virtually dependent on the textile mill.

Here is a very interesting example of a hamlet growing into a good sized town solely because of the dynamic growth of the textile industry within it.

It is with some pride that I can say that from the time the plant was established in Cowansville there have been no major lay-offs and no labour problems. Cowansville has maintained its prosperity throughout this entire period, insulated by the employment offered by the company. Such employment has in some years been rather difficult to maintain, but nevertheless, since it has been the company's policy to curtail operations only as a last resort, we have maintained this policy successfully. The mill and the town have grown together and each has contributed to the prosperity of the other. There is a frank realization on the part of our employees and on the part of management that we have mutual responsibilities in respect to the other. These responsibilities have been taken seriously and as a result, harmonious labour-management relations have always existed in this town.

In 1946 Bruck Mills built a new plant in the City of Sherbrooke, for the purpose of producing new types of fabrics which were then being developed for men's and ladies' suiting and outer-wear garments. To supplement this operation, in 1950 a yarn spinning unit was added to this project. Like Cowansville, employment has been maintained on a steady and increasing basis from the day it first opened its doors. At present it employs 400 people, and like its sister plant in Cowansville, there is a cordial management-labour relationship.

The company has about 1,000 shareholders throughout Canada. These shares represent the plowed back earnings of over a period of 35 years.

This is a success story of a Canadian enterprise that has come up the hard way, through continuous effort and resourcefulness. This success has brought with it responsibility. It is true that we have grown and much of the time we have prospered, but now we have in our hands the future of 1,500 employees and their dependents, all together numbering many thousands of people. That is why we feel impelled to show concern for what might happen to them as well as what might happen to ourselves.

Soon after World War II, our company embarked on a programme of replacement and improvement of equipment, which had been unavailable during the war years. During the prosperous periods of 1946-1950, the policy of plant improvement continued. As times became more difficult, from 1951 to 1955, we continued to plow back our earnings into the most modern and efficient

equipment available. As an example: From 1951 to 1955 inclusive, Bruck Mills set aside \$3,153,646 as a reserve for depreciation. During the same period our accumulative net earnings, after taxes, was \$725,029, making a grand total of \$3,878,775. Of that amount we actually spent \$3,621,156 on new equipment and improvements. This has indeed been a policy of our company from its beginning, and we have always, to the extent of our available resources, considered that plant improvements and modernization be accorded first priority against earnings. There has been no time during our profit earning periods that we were satisfied with our present physical condition, to the extent of not providing for substantial improvements. We have always considered the prospects of our industry as good, but not necessarily easy, and for that reason, what we have today is the result of the careful calculations that in the textile industry, survival and profits belong to the efficient.

Although I use my own company as an example, I do not infer that this philosophy or satisfactory plant condition is exclusive to us. Our industry, as a whole, is modern, efficient and aggressive.

What has the progress of our industry meant to the consumer aside, of course, from those who benefitted directly from employment in the plants? In 1922 the square yard unit value of our pure silk fabric was \$2.25. In 1956, through the use of less expensive synthetic fibres and improved manufacturing methods, the unit selling price is about 70 cents per square yard.

During the same period wages increased from 300 to 400 percent. This drop in unit value is, I believe, one of the most significant parts of our story, because it has taken the silk, or silk type, fabric out of the luxury class, and has placed it within reach of millions.

New synthetics have made it possible for the consumer to enjoy the use of many more apparel units per capita. By the very nature of the fibres, they have permitted a tremendous increase in variety, colours and constructions. The vast changes in fabric styles and types over the last ten years are easily seen, and what is more important, quite easily purchased, because these fabrics have high beauty and utility at low cost. Strong fibres such as Nylon, Terylene, Orlon and other new fibres, such as Dynel, Acrilan, Fortisan and Arnel, have contributed greatly, not only to the development of new types of garments, but also to new uses for fabrics.

The industrial uses for synthetics show great promise towards an expanding market. Fabrics of synthetic fibres figure importantly for filter cloths, conveyor belts, tarpaulins, upholstery for automobiles and so forth.

Our products are not luxuries. They are today more than ever an economic necessity. The low unit price of synthetic textile fabrics have given tremendous impetus to the growth of the garment industry, and with it, many thousands of new jobs. The new types of clothing at low cost have been complementary to changes in living habits and the improvement in the standard of

living, which has been characteristic of this country during the last decades.

During World War II and the Korean crisis, synthetic textile mills delivered large quantities of vitally needed textiles to the Department of National Defence and, during the same and intervening period, the civilian requirements were handled. At that time imports were not available because of exchange difficulties, war interruptions, and world-wide shortages. During these times the industry was indispensable. It may be so again.

Practically every type of important fabric required by the Canadian market is made available by Canadian mills today. Our market is a critical one and, as such, demands from us fabrics not only as good, but in many cases superior to those which are imported. The mills of Canada are supplying such fabrics, and providing quality. From the point of view of diversification, it is fair to say that we are so diversified as is economically possible, under the volume limitations imposed on us by the size of the Canadian market. Synthetics by their very nature lend themselves to a great variety of weaves, textures and uses. As a result those mills weaving synthetic fibres are producing widely diversified lines.

Unit costs are expectedly higher in cases where volume is restricted; conversely, as the market increases, the cost will fall. As the population of Canada grows and the domestic demand for its fabrics increases accordingly, the results of our diversification

will be translated into more profitable operations. In any event, the necessary diversification to serve this market exists, if not for profit, certainly for survival.

We have always been vigorously searching for means to improve our cost position, through advanced machinery and technology. These impelling drives have contributed much to the industrial skills in this country, both in and out of the textile industry. This is another contribution which we must, and which we shall continue to make.

The fact that our market has been seriously disturbed by imports is obvious from figures available. This is a very real problem confronting the industry. It must be given some assistance in reducing the amount of unfair and one-sided trading which is going on between Canada and the other nations in textiles. Not only because we have lost markets which we formerly enjoyed, such as our exports to various Commonwealth nations and other places, but because the domestic market, which is virtually all we have left, is an easy target for export by others.

There have been imports of both made-up garments and textile fabrics, but by far the most serious problem to this industry is the one concerning the importation of fabrics themselves. The largest volume of importation at the moment is from the United States, but a very serious potential threat, is Japan. In respect to the Japanese, some sections of the Canadian garment industry are already feeling deadly competition

in the garments, against which they cannot possibly compete.

Textile surpluses, particularly of styled fabrics, create special problems. Since they are often distinct items closely identified with fashion, it is most desirable that they be removed, even at great cost, from the market so that they do not disturb those quantities already sold. This is an important reason why Canada is so useful to the United States. There are hundreds of firms with items to unload at sacrifice prices, and the Canadian market is virtually swamped with United States salesmen.

There are four types of imports which I feel might be discussed separately:

(1) There are fabrics which are sold into Canada at distress prices, lower than domestic levels, and which fall under the category of dumped goods.

(2) There are fabrics which are imported at low or distress prices, but which are officially regarded as complying with fair market value, as written into the present Canadian Custom's Act.

(3) There are imports which are correctly priced and are brought with a view of obtaining spot delivery from American warehouses, and for variety of colour patterns or designs.

(4) There is that group of fabrics which is imported because it is not currently being manufactured in Canada.

It is my opinion that the first three categories represent 90 percent of the volume of the

American imports. Serious consideration must be given the solution of the problems arising from these imports. We have always understood that a certain amount of fabrics should be, and will be, imported into Canada.

It is not likely that regardless of how active the Canadian mills are in relation to creating new types of fabrics that they will be able, or should try, to completely satisfy the demand for specialties. The problem that must be over-come is the one relating to the dumping of fabrics, whether under the official definition of dumping, or dumping as we consider it even though goods are accepted at fair market value under present Customs Regulations.

The staff of the customs department have indeed a very difficult problem on their hands, and I believe they are doing as well as one might expect with the resources at their disposal, and against the complicated problems confronting them.

The nature of textile fabrics in the synthetic group are ever changing in both large and small details. Aside from the basic construction, there is an endless variety of blends, designs, weaves, finishing processes, colours, widths and weights. The values of these cloths jump and change in many ways for many reasons. Added to this confusion, in most cases the people who export the cloth are not those who manufacture it. In addition, there are often new companies set up by sellers to assist their export selling, which can establish for Canadian customs purposes, different fair market levels in conjunction

with other sales. Consequently, due to the nature of the product and the structure of the market, customs regulations are not particularly well designed to deal with many cases which depend on the attitude of the exporter and importer, as well as the facts.

I do not wish to imply that the many reputable firms selling to Canada are not following correct procedures, but there is, nevertheless, a large number of individuals and organization who have made a careful study of loop-holes, and who are making good use of these studies. Constant vigilance is necessary to keep up with their newest devices.

Whereas our Canadian governmental policy appears to be directed towards making importation as easy as possible for the importer, the policy of the United States Government appears to be directed toward finding every possible way to keep imports out of that country. The Canadian mills would be very happy to sell their surpluses to the United States and they have merchandise that the American market could use. However, it is virtually impossible to do this, because of two principal reasons: (1) the delay at customs clearance may run into weeks and months; and (2) the American method of determining fair market value in Canada is so arbitrary that few American importers could afford to take chances on buying Canadian textiles.

I should like to add at this particular point that during the last week we have had two or three offers from American textile people for a certain

line which we are making. This is quite unusual because like many Canadian manufacturers we realize the odds against us are stacked so high that it is almost impossible for us to consider doing business down there, but we can sell on the basis of offers we have had last week an interesting quantity of fabrics at a profit, but I don't think the sale will go through for the simple reason that although we are willing to give the American importer the price he requires, that price is at some variance with the highest price which we have gotten for that same fabric from certain industries in Canada and we can't give them any sort of assurance that they will land the fabrics according to the books. Maybe we will get the business but I certainly don't want to be there when these people clear the goods.

I could not in good conscience subscribe to this American method as an alternative for us, although if it were adopted, imports would be drastically reduced. I do contend, however, that we in Canada have gone as far in the other direction as the Americans have gone in theirs. No market value should be considered as truly fair, if it does not include the cost of production as a factor in establishing its level. In addition to furnishing an equitable base, the adoption of cost of production would greatly simplify the problems confronting the customs department in appraising so-called fair market values. It would eliminate a great deal of possible abuses, such as I have indicated in the preceding paragraphs. Methods of establishing costs of

production for Customs purposes are not unduly complicated.

Since it is extremely difficult for the customs department to fully investigate all entries, the attitude of the importer could be that he will take his chances on a revised valuation later on providing he can get the goods in immediately. In all cases, whether a revaluation is made or not, the fabric manufacturer is harmed. From the point of view of the needle trade manufacturer, who did not import such a fabric and, who is competing against his colleague who did, the damage is also done.

I had listed previously a third broad reason for importation, namely, immediate availability of merchandise from American warehouses.

The two principal needle trade centres of Canada, Montreal and Toronto, are virtually border communities to the United States, and are very close to the American textile market centres.

For geographical reasons, the American seasons precede the Canadian seasons in time, and as a consequence, fabrics are usually prepared earlier. What often becomes end-of-season merchandise in the United States market, may be at that very moment, at the peak of its demand in Canada. In a buyers' market, Canadian users may often speculate on this contingency, with the result that there is little forward placing of their fabric requirements in Canada. As a larger industry, catering to a larger market, American textile companies prepare larger stocks. When times are slack

in the textile business, as they are today, Canada is serviced from stocks which are on hand, for the whole American market. There are few, however, with so short a memory, as not to remember that when business turns the other way, Canadians are far from preferred customers.

It is a very human weakness in believing other fields greener, and fabrics are often imported on an unnecessary emphasis for immediate delivery, or a lack of understanding, as to the intrinsic value of the import, because intrinsic value is often cast aside in favour of having something "different even if worse than the next fellow". I feel that the Canadian consumer is sometimes being let down in the search for difference without value.

A long time ago a Gilbert and Sullivan character told of certain people who were on a list -- none of whom would be missed -- and among those persons was he ...

"..... who praises
With enthusiastic tone
All Centuries but this and
Every Country but his own."

The consumer market for Canadian soft goods is a critical one, demanding excellent quality and good performance. I believe that, in this respect, it is even more demanding than that of the United States. Canadian mills, I am happy to say, prepare their fabrics accordingly. Relative to their size, our mills are at least as virile and resourceful, as a group, as those against which they compete. We are very much like the

confident fighter who is sure that he could lick twice his weight in wildcats. I believe that perhaps we can lick twice our weight in wildcats, although I have some serious doubts as to how we might make out against three or four times our weight.

My views, as to the future of this industry, could be summed up quite simply. I believe that Canada has a very bright future. I believe this future includes increasing industrialization, and a rapid and constant growth of population. I know of no major nation without a strong textile industry, and I see no reason why the Canadian textile industry should not be allowed to grow apace with Canada. I have confidence in the long term prospects of the Canadian textile industry, because I do not believe that those who shape Canada's policy will be prepared to needlessly sacrifice that industry. With only reasonable encouragement, we will resume our growth and expand with the country's increasing requirements. We will offer good employment to many more thousands of persons in years to come. We will continue to be the support of many small towns outside of the principal centres of population throughout this country, and we will be able to do this because we will continue to have, as we have today, efficient plants, know-how, and aggressive organizations. We will be supported by a skillful labour force which possesses the necessary skills and aptitudes.

If, on the other hand, we are not given reasonable support, I have serious doubts as to the ability of the industry to carry on indefinitely. If

such an unhappy situation were to develop, it would bring down with it the weaving, dyeing and finishing plants.

In conclusion, I believe that with the necessary improvement to the Customs Act, the synthetic industry will well be able to take care of itself and beneficially serve others who depend on it.

THE CHAIRMAN: Thank you very much, Mr. Bruck.

MR. GUSHUE: I wonder if I might ask a question relative to your pages 12 and 13, your reference to the United States market?

MR. BRUCK: Yes, sir.

MR. GUSHUE: Is it your assumption that if there were a certain amount of equality between the two markets and the relaxation of certain vexatious practices and so on, do you think that the Canadian industry could add strength by having the American market open to it on an even basis, on a basis of low tariffs or no tariffs, I mean your portion of the industry?

MR. BRUCK: In that respect perhaps I differ somewhat from other opinions that have been expressed. I believe that we could profit by having the American market open to us on equal terms to what we offer them today. I don't believe that this industry in Canada would be able to profitably carry on at par, let us say, no tariffs, with the United States. We have pointed out the difference in market. They are in terms of population perhaps ten times our size and in terms of purchasing power something more than that.

Consequently, we could not assume all the savings which they are able to take advantage of.

MR. GUSHUE: That portion of the Canadian industry is in a reasonable position to compete, I take it, as to cost and so on with the American production?

MR. BRUCK: Compete in this respect, revising the present Customs Act so that fair market value will bear a fair relationship to cost of production rather than any old price which can be dug up. If that were done I would say that all other things should pretty well take care of themselves. We require the protection that we have today but we require more than that; we require that protection on a more realistic basis because that protection really does not exist. Tariffs and rates are one thing, but the basis under which they are applied is another thing. And that, in my opinion, sir, is our most serious problem.

MR. GUSHUE: If there was, to use a hackneyed phrase, equality of opportunity between the two countries? You would not be prepared to take it as far as no tariffs?

MR. BRUCK: I would not.

MR. GUSHUE: You would be prepared to take it as far as low tariffs. Tariffs are reasonably low now, aren't they?

MR. BRUCK: They are reasonably low. I think it would be unrealistic for us to continually demand higher tariffs, but I think the least we can ask for is a tariff that means something.

MR. GUSHUE: I am thinking, of course, merely of the synthetic side of the industry. This question is not directed to the whole industry.

MR. BRUCK: I understand that. I would say that we require the tariff we have and nothing else than that, and applied in a realistic manner, because our market is very much less than the United States market.

MR. GUSHUE: And you think you could meet the same market in United States under competition?

MR. BRUCK: Well, in some cases. I cited a case just a few minutes ago.

MR. GUSHUE: Yes, that is what brought up the question.

MR. BRUCK: We have certain lines which we think we could do quite a job there with but it would only serve perhaps as a safety valve for perhaps 5, 10 or 15 percent of our production which is really important if you know the textile industry. If you produce one million yards and the demand is one million yards, everything is fine, but that one extra yard that goes farther just brings everything down and a little bit of safety is what we need.

MR. STEWART: This morning I was asking Mr. Berry about seasonal employment and I wonder if you could give me the answer in relation to the situation in Cowansville. Do you have a seasonal irregularity in your employment in the plant?

MR. BRUCK: Yes, sir, we have within the plant itself although our particular operation is

so diversified over so many trades that we are able to keep most of the people going most of the time without any heavy layoffs. But take in the dress trade, for instance, they have very sharp ups and downs and our deliveries to them assume certain definite patterns which are changing so fast we can hardly keep up with them but nevertheless the patterns are there. Other trades such as industrial fabrics, automobile coverings and so forth, are much steadier with the exception of the time whereby the new models are set up and there is a two or three months change-over period.

MR. STEWART: Is the furniture factory pretty steady employment?

MR. BRUCK: Yes, I believe the furniture factory which I referred to, which has no connection with us, of course -- I believe their employment is reasonably steady. I am not quite certain.

MR. STEWART: The situation does not provide for any dovetailing of employment to shift from one industry to another?

MR. BRUCK: No, there is very little interchange between plants in Cowansville. As I said before, because of the special nature of our operation, we are able to keep a fairly even keel.

THE CHAIRMAN: Well, thank you very much, Mr. Bruck. This is a most interesting submission and we are very grateful to you.

Mr. Cleyne, we will mark your submission No. 186. I should perhaps explain to my colleagues that I understand you had a finger in the preparation

of the main submission?

MR. CLEYN: Yes, I did.

THE CHAIRMAN: This is supplementary to it?

MR. CLEYN: That is right.

1. I was very happy to receive the Chairman's invitation to express my views on the prospects and problems confronting the Canadian Woollen Industry, and to have the opportunity of replying to any questions you may wish to put to me.

2. As Managing Director of Leach Textiles Limited, and a number of other companies, I have been intimately connected with the daily problems and difficulties of the Canadian industry for many years. As Chairman of the Committee that had the responsibility of preparing the industry's brief for the Tariff Board last year, I found it necessary to focus and organize my experience as best I could into an assessment of the industry's part in the Canadian economy. The material and statistics prepared by the Tariff Board and the industry at that time dealt, I believe, adequately with the past and will allow me to concentrate these brief remarks on the future with only such references to the past as may be necessary for purposes of illustration or to suggest a trend for the future.

3. The present market situation can be simply described. In 1955, some 36 million yards of woollen and worsted apparel fabrics, including all-wool fabrics and blends containing wool, were supplied to the domestic market. Of this total, woollens accounted for about 26 million yards or about three-quarters of the market,

and worsteds the remainder. Canadian producers provided some 63 percent of the total supply, while imports made up 37 percent, practically all of which came from the United Kingdom.

Now, the next paragraph refers to your question of why we are doing better.

4. While this Canadian share might seem to suggest a reversal of the trend of the immediate past few years during which the Canadian share steadily declined, I believe this gain is only temporary. As long as the decision of the Tariff Board was in doubt, buyers in the clothing trade were naturally uncertain as to the tariffs that would be imposed on orders placed abroad for delivery several months ahead. As a result, they tended to hedge against the risk of an increase in duty by placing more business with Canadian mills. This factor operated for most of the year, during the Spring and through most of the Fall. In addition, the dock strike in Great Britain delayed shipments on existing orders and made delivery dates on future orders uncertain. This also tended to increase the business going to Canadian producers. The activity in the secondary clothing industry was quite brisk in 1955, and when there is some rise in activity, the domestic industry usually feels it first; similarly in the case of a drop, the domestic industry suffers before imports. These factors were temporary and have now disappeared. Consequently, the greater share of the Canadian market supplied by Canadian producers last year cannot be taken as indicative of a trend.

5. Looking to the future, we can expect a continued growth in Canadian requirements for woollen and worsted fabrics. Taking all factors into account, including the forecast of 1975 demands for clothing just presented by the Primary Textile Institute, we can reasonably expect a total market for about 82 million yards of fabric in that year.

6. It seems clear that there will be a sufficient potential market for the Canadian Wool Cloth Industry so long as the cost of production of Canada's main competitors, plus duty and freight, is somewhat similar to the Canadian cost of production. If the present spread between lower cost producers, such as the United Kingdom and Canada is perpetuated or further widened, the Canadian industry can expect to lose a larger and larger share of the domestic market to the point where it could well be eliminated. For this reason, any forecast of the future of the Canadian industry must be predicated on a narrowing of the present price differential by either

(a) a change in the present tariff structure, or

(b) by a substantial decrease in the present spread between the costs of Canadian producers and foreign competitors.

7. At the moment, the United Kingdom is the only serious competitor selling in volume in the Canadian market. Others, such as Japan, are standing in the wings but they have not yet come on the stage. And over the next quarter of a century, the period of concern to the Commission -- it seems that the United Kingdom will

remain, if not the chief competitor, at least one of first rank. It is impossible for me to say definitely at this stage whether countries with low wage costs such as Japan, or with multiple or abnormally low exchange rates in terms of Canadian dollars, will become serious competitors in the future. Whether this will happen depends very largely on the course of tariff and exchange rate policies, and on the course of international political events. I should judge, however, that the Canadian industry will be faced with more rather than less competition, and that it is likely to come not just from the United Kingdom but from several other countries.

8. In discussing the present and future costs I make comparisons with Britain, as an example only, because we know more about them since they are the only ones here in force today, and partly because I have had numerous business dealings with them and am familiar with their costs and the structure of their industry. I would like to state briefly some of the reasons for the cost differences.

9. Our main raw materials are wool, synthetics and their by-products. Of these, virgin wools and wool tops are the only ones the Canadian industry can buy at the same price as the United Kingdom. Synthetics are of growing importance and now comprise a large percentage of the Canadian industry raw material consumption. For example, in one of the Woollen Mills with which I am connected, synthetics make up 45 percent of the total raw material consumption. These synthetic fibres, which are

of types produced both in Canada and the United Kingdom, are more expensive here at present. It may be reasonable to expect, however, that with the growth of the Canadian economy and population, this price differential may narrow. However, as the costs of synthetics become a greater proportion of total costs, the difference between Canadian and British synthetic prices will become increasingly significant in the competitive situation. As this illustrates, even though our industry has been traditionally known as a wool cloth industry, synthetics are an opportunity to us and not a threat. As far as the by-products of wool and synthetics known as wastes are concerned, both the Canadian and the United Kingdom industries use large quantities of these by-products, but, because there is such a large industry in the United Kingdom, producers have a much greater selection of wastes than their Canadian counterpart in the Woollen branch of the industry, and this gives them an appreciable cost advantage.

10. At the present time our wage rates, measured in Canadian dollars, are about 250 percent of those paid in Great Britain. If this were offset directly in output per man hour -- in physical productivity, it would not be alarming, but such is not the case. We are more efficient, but, much as I should like it to be so, we are not 250 percent more efficient. Canadian workloads are, by and large, greater than those in the United Kingdom, due for the most part, to more modern equipment. One of the reasons the Canadian industry has been able to remain in existence, despite severe competition from the United

Kingdom and the real lowering of the tariff, is the fact that it started its modernization programme sooner and improved its efficiency more rapidly than Great Britain.

I think it is obvious from information presented to the Tariff Board and some of the facts which I brought out earlier in my brief, that there could be no wool cloth industry in Canada if it depended strictly on cost competition with Great Britain. However, in addition to the technological improvements made in Canada to the complete extent of their cash resources, other more aggressive practices have been followed by the surviving Mills. We have styled most extensive ranges -- have taken full advantage of American styling, to the point that I feel we have been able to offer to our customers styling which cannot be improved upon elsewhere. We have spent large sums of money on procedure and systems in order to provide the best of service; have tried to build up a customer relationship which enables us to fit their needs to the best of our ability, both in fabric delivery and promotions, and probably have greater salesman trade coverage per unit of delivery than any other country in the world. In fact, if these things had not been done, I am sure that I would not be here to present this brief because I know my Company would not have been able to survive.

With regard to the trend of our wage costs, I can only say that I am sure that the pressure on our wages will be continuous, and that they will go up. I do not know what will happen to the wages of our

competitors, but I believe that, short range anyway, Canadian textile wages will go up more than the wages of our competitors.

The difference in the operation of the industries in Canada and the United Kingdom should be mentioned. We, in Canada, must operate and cost on a 3-shift operation whereas the United Kingdom usually operates and costs on a 1-shift operation. There has been in the last few years a decided change in the outlook of both employers and trade unions in the United Kingdom, and I foresee the distinct possibility that United Kingdom Mills will adopt multiple shift operations.

Cost reduction depends to a large extent on the degree of specialization. This, in turn, depends on the size of the market and the availability of finance for new and more specialized equipment. With a large market, a high degree of specialization can be achieved with notable improvements in output per man hour. If the Canadian Woollen and Worsted industry had a larger domestic market, it could achieve these economies. If the Canadian industry cannot obtain a sufficiently large share of the market to enable it to pursue specialization vigorously, it may be unable to continue these technological improvements.

The total Canadian market, say, by 1975, will be large enough to permit the Canadian industry to specialize more even though its share of the total remains as it is today. Using the possible 82 million yards of fabric to be required around the middle of the 1970's -- this would find the Canadian industry

producing about 50 million yards -- which would be ample for the industry to reap considerably more the benefits of specialization.

But will this happen soon enough? Will the market develop in the intervening years in such a way as to prevent the industry from becoming extinct? This seems to me to be one of the most important questions facing the Canadian industry. Can it stay alive until the middle of the 1970's? Or, will the industries' cash resources, already depleted by several years of heavy losses, be further reduced to the point where it cannot afford further modernization in line with changing technological progress. If it cannot afford to keep abreast of these technological changes it may well be that Canada's entire supplies will come from abroad in the future.

11. So far the British have not needed to make much use of the strong artillery they possess in the form of low wage rates relative to their output per man hour because of sterling devaluation in 1949. In terms of Canadian money, this cut their costs by 24 percent overnight and at present it has cut them by 38 percent compared with what they were before devaluation. With this advantage, they were easily able to set a price pace, and still making a substantial profit, which Canadian producers could only meet with great difficulty.

I should like to reply to Dr. Stewart's question about that. We bought our share. We did not actually get it, we bought it. I think you asked the question from Mr. Berry saying: "How come that the

imports from the United States were so steady and that they did not come up?". Well, we maintained the share that we had but we did not really maintain it as normal competition. We had to buy that business in, making losses, which were revealed in the Tariff inquiry. You can always maintain a share of the market if you sacrifice the price at which you are willing to sell. The Canadian industry has not yet felt the full power of British competition. If world demand for British Textiles should slacken, whether it be in the United Kingdom, In Canada or Australia, etcetera, the British producers could trim their handsome profit margin and bring more fully into play the competitive advantage they enjoy. For example, the high profits continuously realized by our United Kingdom competitors make it possible for them to buy any new equipment they might desire, and this is reflected in an increasing rate of machinery replacement and modernization. This fact emphasizes the importance of the question mentioned earlier whether the Canadian industry can survive long enough to take advantage of the growing population and wealth of Canada.

12. Being limited by our position of catering to the domestic market only, the products made by our mills are confined to cloths which are used in volume in the domestic market. As to our fabrics, we do not suffer from any just comparison in either quality or fashion; in fact, our ability to produce cloths which are required for this market in both style and colour has been one of our strong factors in being able to remain in business to the extent we have so far.

13. While I quite realize that the Commission is not conducting a tariff inquiry, I have made reference to the tariff which requires some explanation. The difficulty with our tariff position is not that the rates of duty provided are necessarily too low but that they are not allowed to operate. This is because the same tariff item also contains an over-riding maximum rate of duty amounting to 50 cents per pound (in the case of Great Britain), which had some relevance to prices existing when it was established 15 years ago, for the restricted purpose of limiting the duty payable on a few high-cost specialties. I believe that had the consequences of this maximum duty stop been foreseen at the time it was adopted, it would not exist in its present form today. Now, with world price levels much above those of 15 years ago, this over-riding maximum duty which was formerly of relatively little importance has become the actual duty on almost all fabrics imported. It is only due to this entirely unintended anomaly that the actual duty on our fabrics has fallen from 29 percent in 1939 to about 15 percent now. The correction of this anomaly will go a long way to solve some of the industry's problems during the next few years until the Canadian market has expanded as anticipated. The only effective part of the duty is per pound and not per yard, and therefore, the trend towards lighter and lighter fabrics, which due to finer yarns, are more costly to produce, but are imported at lower duty cost, makes this anomaly even more serious for the future.

I have tried to explain to you our present problems and the reasons for them. I have tried to look into the future and my conclusions for our prospects are as follows:

In the first part of the period under review, our situation will worsen because the cost differential will widen. In the second part of the period under review, however, if we survive the first, I see a narrowing of the cost differential through the introduction of more labour saving equipment and cost reduction attained by specialization. The real problem of the industry is not only to survive during the next period but also to make sufficient profit to avail itself of new equipment which I am sure will be offered.

Our position is no different than any other Canadian manufacturing industry which does not have natural resource advantages, in that, with our present tariff, we cannot match the low productive cost of other countries either as a result of the magnitude of their production or the lowness of their wages until such time as the Canadian population increases.

Now, Mr. Chairman, I would just like to add one thought to these very brief remarks. Two or three times there was a question asked here and I think I would like to refer that question to the woollen end of the business. One of the questions that has been asked is, is our equipment or are our plants of an economical size. Well, in the Woollen and Worsted end of the business they are. They are just about the size they should be, and it is not the size of the plants that would have to be

increased in order to get more efficiency; it is the production that is going into those plants that would have to be standardized in order to get saving in cost.

Another question that was asked was whether we would be prepared to compete with the United States with no tariff. Well, representing our industry, or at least from my company, I am prepared to say that we would be quite happy, I would like to make this statement very clear, we would be quite happy to compete with the United States with tariff either way providing we could count on a market. If we could sell and be sure that the situation would be not of a temporary nature but of a permanent nature we would be quite happy to sell to the 160, million people market of the United States on an even keel with our American competitors because I am satisfied that our costs of production are no higher than theirs and I believe that this statement will give you some indication of what my opinion is of the efficiency of the Canadian wool cloth industry.

Thank you.

THE CHAIRMAN: Thank you, Mr. Cleyn. I think you have already answered some of the questions that were about to be put to you.

MR. GUSHUE: He has answered mine.

MR. STEWART: What has been happening to prices of woollen fabrics in the last five years or so?

MR. CLEYN: I think I can answer that very quickly. They have come down. As you know, Dr. Stewart, wool is a very speculative commodity. It is sold by auction. We have no control of the price of our raw

material, that is, the wool commodity, and ever since the break which occurred in 1951, prices have come down steadily.

MR. STEWART: I am sorry I had not noticed it in the price of suits and things that I have bought.

THE CHAIRMAN: What will we do about that?

MR. CLEYN: I can assure you our prices have come down. That is a question you will have to ask in other quarters.

THE CHAIRMAN: Well, we are very grateful to you for this submission and I think we should say we are grateful to all the members of the industry here for the various statements that have been made to us today in connection with the textile industry. It will be very helpful and we appreciate very much the work that has gone into them. Thank you and thank everybody and we will adjourn until tomorrow at 10 o'clock.

(At 5.30 P.M. the Commission adjourned until 10.00 A.M. Tuesday, 21st February, 1956)

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THE CHAIRMAN: Well, suppose we come to
order, gentlemen. In welcoming you, Mr. Ball, I would
like to take this occasion to thank the Bank of Montreal
for the very great contribution which they are making to
the work of this Commission, not only in your own
presentation but in the very comprehensive and formidable
study on the Service Industries which I had an opportunity
of looking at in draft form the other day and which will
be of tremendous help to us. I would think it would be

of very great value to the country as a whole as soon as it is published, as it will be.

MR. BALL: Mr. Chairman, I would say it is a labour of love.

THE CHAIRMAN: Thank you. Well, it is certainly a labour. There is a lot of love in it.

MR. BALL: Of course, there were a lot of services we did not cover but they were not on your list.

THE CHAIRMAN: You bankers would know more about those services than I would. We will mark your brief this morning Exhibit 187 and if you would like to start we are all ready.

MR. BALL: All right. Gentlemen, it is indeed a privilege, and no less a responsibility, to be asked to appear before this Royal Commission and present my views on certain questions relating to the capital market in Canada. These questions, which are very searching, have, I understand, been presented to a number of other persons as well. While I am sure that everyone to whom they have been posed will be able to speak with familiarity concerning some, I am not sure that everyone will be equally familiar with all of them. Certainly in my own case there is at least one that is rather wide of my own field and when we reach it I propose frankly to say so. It is my intention to give my own personal views on those matters on which I think my views might have any value, after which I shall be glad to answer any further questions the Commissioners may wish to put to me.

Let me say at the outset that I shall not presume to paint a picture of the capital market as it

will appear at some distant date. The questions I am asked to discuss are not questions that can be answered in terms of 1980 or any other specific future time. What I propose to do is to attempt to discern the directions in which present tendencies are leading and to point to certain desirable developments that may ameliorate some of the shortcomings of the Canadian capital market as I see them.

I should add that behind my commentary is the strong conviction that the long-term prospects for this country's economic growth are boundless, assuming that courage combined with prudence, and foresight combined with adaptability, continue to be characteristic of the Canadian people in general as well as of those responsible for the country's financial affairs.

Question 1:

"Are there any classes of deserving borrowers whose needs may not be served adequately?"

This is a very broad question and to answer it at all usefully some definition of terms is necessary. I am assuming, therefore, first, that the word "classes" means any broad recognizable group of borrowers who from time to time have access, or would like to have access, to the capital market. The word "deserving" I interpret in the sense of "credit-worthy", for to be realistic we must at least admit the possibility of the existence of would-be borrowers who would certainly regard themselves as deserving but who might not be able to qualify on grounds of credit-worthiness. In short,

what I think we are after is whether the present institutional framework adequately meets and will continue to meet the needs of the various well recognizable groups of borrowers who might reasonably be expected to use it.

To answer this question it is useful to consider the position of certain well recognized categories of borrowers. As far as the federal government is concerned there is obviously not the slightest difficulty in respect of its financing nor is any difficulty to be envisaged. The credit of the Government of Canada is unquestioned and its securities meet with a ready reception not only in Canada but also elsewhere. The provinces, too, have ready access to the capital markets at appropriate rates of interest and here, also, the market for their obligations is not confined to Canada only. From time to time sizable amounts of provincial borrowing are done in the United States. There is an active market for municipal securities and here, too, the larger borrowers have access to the New York as well as to the Canadian market. By and large, however, municipal securities are absorbed by investing institutions -- insurance companies, trust companies, pension funds and, as far as the shorter securities are concerned, by banks. Perhaps there is room for some long-term programme of education or re-education, of the private investor designed to broaden the market for municipal issues. The need for schools and other municipal capital facilities of all kinds is on the increase and with the growth

of population it is reasonable to expect this trend to continue, although it may necessitate substantially higher tax revenues.

I should perhaps say in passing that access to the market on the part of any borrowers in those categories I have mentioned, as indeed in the case of industrial borrowers also, implies a willingness on the part of the borrower to pay a rate of interest consistent with the scale of rates in existence, whatever that level may be. At a time when, by reason of official monetary policy, the level of interest rates in Canada is higher than normal, there is always an incentive for Canadian borrowers to seek accommodation in the U.S. capital market if a favourable rate differential exists between the Canadian and U.S. market. We have seen a good deal of this from time to time and there has been a marked revival of this tendency in recent months. Looking ahead, it would seem reasonable to expect that flexible monetary policies, which have been revived with such effectiveness in recent years, will continue to be a feature of the economies of both countries and it would follow from this that Canadian borrowers will turn to the U.S. market as circumstances appear to warrant. It must be added that a Canadian borrower who assumes an obligation to pay principal and interest in U.S. funds cannot, in the nature of things, know with any certainty what the Canadian dollar cost of financing his obligation will actually be over the life of the borrowing. The yield differential on the basis of existing exchange rates may appear attractive

but the actual cost to the borrower will never finally be known until the last interest payment is met and principal repaid at maturity.

We are fortunate to have in Canada an active, skilled and highly reputable group of investment dealers. Their activities are well spread regionally and extend, in some instances, into the United States and the United Kingdom as well. This investment dealer organization performs an invaluable service in the distribution of Canadian government and municipal obligations and also performs an equally valuable service with respect to the financing of the long-term borrowing needs of medium-sized and large businesses.

I now come to a question the answer to which, to my mind is conjectural. Frankly, I do not think we have enough evidence to be at all dogmatic about it. This question is, "How adequate are our existing facilities to meet the long-term borrowing needs of small businesses whose borrowing requirements may be too small to justify the overhead costs of floating a bond issue or whose business life has not been sufficiently long to build up an earnings record that would justify public financing?". I am well aware that it is popularly assumed that such a need exists. But the extent to which it exists and also the extent to which the capital requirements of small business should properly be met by long-term borrowing rather than by equity capital are matters which, I respectfully suggest, we do not in this country know

enough about. Moreover the varying needs of different types of small businesses make it very difficult to suggest any specific form of financing that could be applicable to all types of business.

The Industrial Development Bank was established in an effort to meet just such a need. And may I say at this point that, in my opinion, the Industrial Development Bank is doing an excellent job of work. Nevertheless, I have been impressed with the fact that in the eleven years from inception to September 30th, 1955, the Industrial Development Bank had made loans and investments, or authorized guarantees, in respect of only 1,468 individual situations for a total amount of \$123,700,000 and at latest report had only \$45 million of loans outstanding. Having regard to the fact that during this period over-all capital expenditures of Canadian businesses within the scope of the Industrial Development Bank's operations amounted to over \$7 billions, one might be justified in assuming that the need for credit facilities of the type supplied by the I.D.B. has not been as great as may have been envisaged. None the less, the legislation recently introduced into Parliament to extend the I.D.B.'s facilities to new classes of borrowers, and to enlarge its lending limits, is to be welcomed.

It may indeed be, however, that there is a need for some wholly private institution, of a nature not now existing, to serve the requirements of smaller business ventures. If this be so I am inclined to believe, however, that such an institution would, and

indeed should, be more concerned with the provision of equity capital rather than funded debt. I shall have something more to say about this later under a different heading.

The role of the Canadian Chartered Banks as suppliers of capital to industry is traditionally, predominantly, and I think rightly, that of financing goods on the way to market through the provision of current rather than long-term accommodation. Nevertheless, from time to time, and to an extent which must be limited by the nature of their deposit liabilities to the public, the Canadian Chartered Banks have supplied fixed capital requirements through the medium of term loans or purchases of industrial securities. The term of repayment in each case is not long and is usually accomplished by serial maturities running from about one to five or one to seven years. It should perhaps be added that from time to time, when inflationary pressures appear imminent, provision of this form of fixed capital by banks has been discouraged by the national monetary authorities and the banks have on these occasions co-operated in the national interest.

I think it should be mentioned here that the chartered banks have for many years, and perhaps to a somewhat greater extent in recent years, been most sympathetic to the requirements of small businesses, especially to those without access to the public financing field. Such assistance has, for the most part, been in the area of temporary financing for plant and equipment, repayable from earnings and cash

throw-off over a reasonable period. I feel that the chartered banks must continue to play their part in this field and that a complete line of demarcation between loans for current operations and for some types of capital expansion is neither practical nor desirable.

I realize that a complete answer to the question of the adequacy of present borrowing facilities would have to include the whole field of mortgage lending. There are many aspects of this field with which I am not familiar and on which comment from me would therefore not be useful. Since March 1954, the Canadian Chartered Banks have been permitted to invest in insured mortgages secured by new houses under the provisions of the National Housing Act. This was a complete break from traditional banking practice and, indeed, from previous legal restrictions on banking operations. The insurance feature, the eligibility of insured mortgages for rediscount at the Bank of Canada, and certain other safeguards have enabled the banks to extend an amount of accommodation in this direction which, I think, has been both within the limits of prudent banking and eminently satisfactory to the Government as sponsors and introducers of the new legislation. At latest available report, insured mortgage loans on the books of the chartered banks exceeded \$300 millions. Chartered banks may sell insured mortgages from their portfolios, provided that the servicing of these mortgages is still done by an approved lender. Some such sales have already taken

place and it is possible that this practice will increase, thereby contributing to a broader and more active mortgage market. It is considered, I think rightly, that chartered bank participation in the mortgage field should bear some proper relationship to their savings deposits, perhaps as a percentage of such deposits, which would have to be determined from time to time in the light of conditions.

Other special credit facilities provided by the banks in co-operation with the Government, and with a marginal governmental guarantee, are Farm Improvement Loans, Veterans' Business and Professional Loans and Home Improvement Loans. Somewhat similar legislation providing for the extension, by banks, of capital funds to fishermen is now pending.

In attempting to answer this first question, I have spoken of the various classes of Canadian borrowers and of the various types of lending institutions, and I would sum up by saying that, in my view, the needs of credit-worthy borrowers are, and should continue to be, adequately served, except possibly in one field of which I shall say more under question three, but even there my remarks will refer more to equity money than to borrowing.

Question 2:

"Are there adequate sources of funds for financing the purchase of older houses?"

As already indicated, this is a matter which lies outside my field, and I do not think there is anything useful I can contribute by way of reply. Undoubtedly the Commission will be receiving answers from insurance companies, trust companies and mortgage companies which

are directly concerned with this type of credit.

Question 3:

"Will the Canadian sources of venture capital for both small ventures and large be adequate for our special needs?"

In considering this question I have taken due note that it refers to "Canadian sources" and also to "special needs". With regard to "special needs", I assume that the Commission has in mind the extent to which Canada's economic development in recent years, particularly in the extractive industries, has been dependent upon the availability of large supplies of venture capital for enterprises in which there is inherently a more than ordinary element of risk.

At the outset I think we must recognize that during the post-war period the flow of capital in total from Canadian sources has not been sufficient to finance the total volume of capital investment undertaken in this country. We are frequently told, and it is perfectly correct as far as it goes, that in the post-war period Canada's dependence on outside capital has been relatively very small in relation to the size of our total capital programme. I believe that, in over-all terms, our dependence on outside funds has been of the order of 15 percent of total requirements. But I think that such an over-all figure rather masks the extent to which we have been dependent on foreign capital for the development of resources in the "risk category".

At the same time sight is often lost of the fact that the development of many Canadian natural

resources, petroleum and iron ore being good examples, has been to a large extent in response to the needs of export markets rather than domestic markets and it is surely only natural that a number of such developments have been, and will continue to be, initiated and financed by large corporations abroad, seeking to extend and assure their own sources of supply.

To be realistic I think that in the foreseeable future, as in the past, we shall continue to rely to some extent on an inflow of funds from abroad. Moreover, as in the past, I think this inflow will consist of both interest-bearing and equity capital. If capital is relatively scarcer in Canada than in the United States there will be a tendency for interest rates to be higher in this country. This has the double effect of attracting U.S. and other foreign funds here for purposes of portfolio investment and also, from time to time, of providing an incentive for Canadian seekers of funds to turn to the U.S. market. In a somewhat different, although not unrelated, connection, the incentive for established subsidiaries of foreign companies to expand in Canada and the interest of foreign concerns in developing Canadian sources of supply or participating in the growth of the Canadian economy should make for a continued inflow of equity money.

I suggest that basically we are dealing with a situation wherein the present total flow of Canadian savings is not wholly adequate to finance the nation's over-all fixed capital requirements. I think an economist would point out that such a situation has

certain definite inflationary implications and it is perhaps because of the availability of outside money that these inflationary tendencies have not been more manifest. Failing some major change in the savings habits of the Canadian public I suspect that this situation will continue for some years yet. To accept this, however, does not dispose of the question, whether such Canadian savings as are available should be in some way or another channelled more into equity form in order that Canadian ownership of Canadian resource development should not be further diluted.

The question of taxation inevitably enters here. While at a later stage of my remarks I shall be referring to taxation as it affects those who raise capital, it is appropriate at this point to comment on its effect on the investor. There is no doubt that the dividend tax credit has provided an incentive for Canadians to invest in equities rather than debt securities. Praiseworthy as this has been, I think the Government would readily admit that what has been done so far is only a partial approach to the problem of double taxation. While there may be fiscal difficulties involved in taking further steps in this direction, I would suggest that some additional relief from double taxation would be desirable, not only on general principles, but also in that it would undoubtedly stimulate investment in equity securities.

In general, I would say that there is little difficulty experienced by well-established companies with a good earnings record in issuing new capital stock

in the Canadian market. At the other end of the scale it also seems relatively easy in Canada to obtain highly speculative money from individuals, sometimes in very small individual amounts. The opportunities of capital gain are dazzling. Sometimes hopes are realized but "oft expectation fails".

Indeed, it is perhaps natural and unavoidable that in a country such as Canada risk money tends to be predominantly channelled into the extractive industries, perhaps to the detriment of the domestic availability of venture money for industries equally deserving but less glamorous. And even in the extractive fields, Canadian venture funds for the small new prospect seem to be rather more easily obtainable than large aggregates of Canadian venture money for major risk undertakings.

It may well be that there is room for some "investor education" here and also a need for some thought about methods of mobilizing capital. Having mentioned investor education I should quickly add that, in my view, no useful purpose will be served by any endeavour to conceal from Canadian investors the obvious fact that venture money is venture money; that there is a degree of risk involved. But I wonder whether we have gone far enough in exploring the possibilities of pooling and diversifying risk in a way that might make additional participation in Canadian equity financing, both by Canadian institutions and individuals, safer and also more attractive. There has in recent years been a steady growth in Canada of the investment trust concept and I

think this is all to the good. But most investment trusts, quite properly, offer investors a participation in a diversified portfolio of established situations. The question arises whether we could do more in this country in the organization of other media which could apply the principle of pooling and diversification to the equity financing of new venture projects. It is interesting to note that most of the steps that have been taken in this direction have been taken on the initiative of and with funds partially supplied by outside investors. I suggest that there may be room in Canada for purely Canadian private investment corporations, financed with Canadian capital and staffed with qualified financial, engineering and legal personnel, that could appraise new Canadian ventures, both large and small, and supply equity or debt capital for their development. Such a corporation could serve as a nucleus of development capital. If soundly run it could build up a reputation that would tend to attract other private capital to ventures in which it participated.

It may not be altogether removed from this concept that, as you know, there has recently been established under the aegis of the World Bank an "International Finance Corporation", designed to promote the international flow of equity capital to underdeveloped countries. What I am suggesting is the possibility of large, carefully conceived and soundly run private Canadian finance corporations which would provide pools of Canadian venture capital to which soundly conceived new enterprises might turn for

assistance. I do not make this suggestion with the thought that such organizations would be anything other than private enterprises, run on business lines, and with the objective of making a profit commensurate with the risk element involved. As an appendix to these remarks, and for any interest it may have, I have sketched out in very rough outline the framework of the kind of organization I have in mind and I shall be glad to develop these very preliminary thoughts if it is the wish of the Commission.

Question 4:

"Are there, or will there be, accumulations of capital which, because of restrictive legislation or institutional practice, may not be employed to full advantage in the capital market?"

I gather that the question implicit in the one which has been asked is something like this: "Would it be to the advantage of the Canadian economy if a greater part of the existing flow of capital from domestic sources were employed in equity rather than in debt form, and if so, are there any legislative or traditional restrictions which limit this redeployment of capital resources?"

I suppose it is true that both tradition and the embodiment of that tradition in legal restrictions tend to lag somewhat behind the needs of a dynamic and developing situation. I was impressed, for example, with the evidence given before this Commission in Vancouver by Mr. Allan Williamson, wherein he pointed

to certain anomalies affecting the legality of investment in common shares by Canadian life insurance companies. The points he made so well in his evidence certainly suggest the need for an overhauling of this legislation. At the same time one is bound to admit that there is some question whether the Canadian life insurance companies are, even within the limits of prudence, taking the fullest advantage of the scope already allowed them by existing legislation. According to the March 1955 issue of the Bank of Canada Statistical Summary (page 78), as of December 31st, 1954, only 1.4 percent of the Canadian assets of twelve Canadian life insurance companies representing 80 percent of the net premium income of all companies registered under the federal insurance Acts, was invested in preferred and common stocks. In drawing attention to this I would be the last person to suggest that the Canadian life insurance companies should make any investment which they did not consider entirely prudent in relation to their liabilities to their policy holders. But it may well be that even within these limits there is room for a somewhat larger equity participation by this important source of Canadian capital which in its very nature is invested against long-term liabilities. I should at once say, however, that equity investment can never be more than a moderate amount of insurance company funds because of the over-riding need for matching actuarially determined liabilities with fixed interest obligations having a definite due date.

Legally, the Canadian Chartered Banks have

a pretty free hand in their investment activities, save only for the restrictions in The Bank Act prohibiting a bank from investing in its own or any other bank's capital stock, and from lending money upon the security of real estate, except under the provisions of the National Housing Act, the Farm Improvements Loans Act, the Veterans' Business and Professional Loans Act and the Fisheries Improvement Loans Act, and the very proper restrictions on loans or advances to a director of a bank or to any firm or corporation of which a director or the general manager of the bank is a member or shareholder. In point of fact, however, the pattern of bank investment is governed far more by the nature of the business of banking than any legal framework. A bank's deposit liabilities are, in effect, money owed by the bank to its depositors and the depositors can withdraw that money at any time on demand. It is therefore inherent in the nature of good banking that these demand liabilities should be matched by assets of appropriate liquidity and that a bank's investments should be of a short-term nature carefully spaced as to maturity. Under these circumstances I do not think it realistic to expect that the Canadian banks will ever be an important source of equity money, and indeed I think it would be doing an ill-service to the Canadian community if they were ever to become so.

Pension plans and investment funds have grown considerably in size and number in recent years and there seems to be an increasing tendency for the investment of a portion of their assets in equity

securities. Provided that these equities are well selected this trend is, I think, constructive, having regard to the continuing nature of such funds. Moreover, I believe that both pension plans and investment funds are destined to play a more prominent role, and exert a stabilizing influence, in the securities market.

Question 5:

"Is the existing machinery for mobilizing capital, including the savings of individuals in Canada, adequate?"

My answer to this question is "Yes". I suggest that Canada has the full benefit of a mature, skilled and highly adaptable financial organization of which each component is doing a very thorough job of mobilizing savings. To be more specific, the Canadian chartered banking system provides nation-wide facilities for the mobilization of savings in the form of savings deposits. At the end of last October there were 4,228 offices of Canadian chartered banks serving the Canadian community, which works out to one office for each 3,700 of population. The total personal savings deposits in the chartered banks now amount to the impressive sum of \$5.6 billions. It is a fair statement that the development of savings business is a major objective of every Canadian bank.

The premium income of insurance companies is another form of mobilization of savings. Here, too, I think we may take it that the coverage of the Canadian public by energetic and enterprising sales representatives of insurance companies is comprehensive.

We are also very fortunate in Canada in having a well-established, skilled and reputable investment dealer organization. Through this organization's sales representatives, through an extensive network of sub-agency outlets and through direct mail contacts the investment dealers provide a coverage that is both extensive and intensive.

There are other media for mobilizing capital; investment certificates offered by trust companies, co-operative investment plans of various kinds, credit unions, and last, but by no means least, the annual offering of Canada Savings Bonds.

If there is one general observation that can justly be made about our Canadian financial mechanism it is, I think, that it is highly adaptable. No better proof could be offered than the manner in which the entire machinery of this country for the mobilization of capital was quickly organized and geared up for the mammoth job of financing the Canadian war effort through the distribution of Victory Bonds. While this is an outstanding example of adaptability by reason of the magnitude of the task involved, this adaptability is continually being shown. We have a continuing example, on a somewhat lesser scale, in the annual Canada Savings Bonds campaign. And there are other examples from day to day of the manner in which, through the investment dealer and banking organization, large public and private security issues can quickly be brought to the market. I should like to suggest, before leaving this question, that if and when any need for new forms of capital

mobilization should become apparent, our financial mechanism in this country will show the same skill and flexibility in adapting itself to new needs as it has shown in the past.

Question 6:

"What is the probable trend in corporate financing as among debt financing, equity financing and the reinvestment of earnings, and is this probable trend in the best interests of Canada?"

Since the end of the war, medium and large corporations in Canada have resorted to the issuance of funded debt to a slightly greater extent than capital stock. But, as a result of the steady growth in earned surplus, the ratio of equity capital (including retained earnings) to funded debt was, according to the most recent taxation statistics, nearly as large at the end of 1953 as at the end of 1945. During the past few years, however, retained earnings have followed a fairly horizontal trend. Although there was a marked increase in retained earnings in 1955, it is at least possible that the annual volume of retained earnings will grow somewhat less rapidly in the years ahead than in the immediate post-war period. This suggests that corporations may come to rely to a greater extent, than in the recent past, on outside sources of capital funds.

This brings us to the question, whether there is likely to be any significant change in the distribution of new capital requirements as between funded debt and equity? At the outset it may be

that relatively few corporations are wholly free agents when it comes to a decision whether to issue funded debt or equity capital or, indeed, as to the form of funded debt or equity capital that may be issued. The issuers' views must usually be qualified by an appraisal of what the investment market will take. Investor attitudes, in turn, will be influenced by the position of the corporation itself and also by the prevailing viewpoint with respect to such important general considerations as the trend of business generally and the trend of interest rates. It should perhaps be added that even the prevailing view of governmental policies gets into this appraisal. Governmental policies certainly influence the level of interest rates, while, to move into a not unrelated area, there have been times, and may be again, when the public's liking for common stocks is conditioned by views on the likelihood, or otherwise, of inflation.

Having said this, however, I think we must recognize that, generally speaking, there are a number of important factors that tend to weigh against capital stock as a means of obtaining long-term funds, other things being equal. The corporation, not unnaturally, wishes to obtain its new money as cheaply as possible. Here, we run head on into the structure of corporate income tax, which allows interest on funded debt to be deducted from income before taxation, but not dividends on capital stock. Perhaps at this point it may be worth mentioning that under conditions of cheap money, the benefits of the low carrying charge obtainable through the issuance of funded debt may be more apparent than

real. I refer to the obvious tendency, under conditions of cheap money, for corporations to endeavour to reduce their fixed interest costs by issuing a portion of their funded debt requirements in short-term serial form in order to obtain the advantage of the low interest rates prevailing on short-term debt and thus to reduce the overall cost of the financing. While this undoubtedly produces a saving from an income account point of view, the financing in this form commits the corporation to provide for fixed serial maturities over the immediately ensuing years. The result may be, in some cases, to impose an overly heavy burden from a "cash throw-off" standpoint. While this is a qualification to which perhaps not enough attention is always paid, I think we may take it that, generally speaking, there are cost advantages to the corporation in raising money through the issuance of debt rather than equity, such advantages being greatly emphasized by the taxation system.

In some instances too, where corporations have well-established earning power but no spectacular short-term growth potential, the interest rate that would have to be paid on a bond is less than the dividends that would have to be paid on an equivalent value of common stock in order to attract investment response. Here again, the gross differential becomes wider when the net effect of taxation is taken into consideration. This would not necessarily be the case where a "growth situation" is concerned and where the public is willing to accept common stock at a relatively low dividend return now in anticipation of future benefits in the form of higher

dividends or capital appreciation or both.

It may be noted that, particularly in recent years, the convertible bond is a medium which has become more frequently used as a means of reconciling the objectives of a relatively low initial carrying charge with the problem of obtaining a favourable market reception. This medium has certain definite advantages from the standpoint of the borrower. Because of the speculative attraction of the conversion feature the borrower obtains his money initially on a fixed charge basis at a lower interest cost than would otherwise be the case. The investor, on the other hand, has a corresponding advantage. He can remain as a creditor of the corporation but with the added advantage that if and when the corporation's common stock passes the "conversion point" there will be an equivalent capital appreciation in the value of the bond which he holds. And should he decide to assume the status of a partner in the enterprise through the ownership of common stock, the way is open to him through the conversion feature. I would look for a wider use of this medium in the years ahead. It seems one that is eminently suited to a great many Canadian situations of a growth nature.

Much the same comment can be made regarding the practice, which is becoming more frequently employed, of issuing, in the case of growth situations, debentures with stock purchase warrants attached.

In quite a different connection I think that over the future we may see a greater awareness, particularly on the part of large corporations, of the

desirability of having a broad distribution of Canadian ownership of their common shares not only as a measure of defence against the possibility of control passing outside this country but also from the obvious public relations value in having a great many investors, many of them quite small investors, possessed of a partnership interest in the enterprise. In the same connection I would welcome any moves on the part of wholly-owned Canadian subsidiaries of U.S. concerns to give the Canadian public an opportunity of acquiring a common share interest in such concerns, which in aggregate are a not unimportant component of the Canadian community.

Before concluding I should like to mention one other consideration which poses something of a dilemma. When business conditions are buoyant there may be a not unnatural tendency for industry to become, if not careless of, at least relatively unconcerned about the growth of its fixed charges. There are a lot of rigidities in the Canadian economy and in so far as a greater tendency to rely on equity financing rather than funded debt would help to reduce these rigidities in future, such a tendency would be, in that sense, desirable. The reduction of rigidity, from the corporation's standpoint, means that a greater degree of risk is being passed on to the investor via his increased participation in equity stock. And as I have already pointed out, equity money is risk money and there is no useful purpose to be served in attempting to disguise that fact. On the other hand, and as I have also already indicated, these

opposing considerations are not altogether irreconcilable. On balance, the growth potentialities of this country will, I am confident, produce a net reward for investors in a position to take equity risks with their eyes open. And, again as I have already suggested, I do not think we have yet exhausted the possibilities of creating broader outlets for equity money through the provision of adequate and well-conceived means of diversifying and pooling risks.

This concludes my remarks. I have attached to this brief a short outline of the broad features of a Canadian Development Corporation which I shall be glad to read if it is your wish. It is only a page and a half.

THE CHAIRMAN: Yes, certainly.

MR. BALL: Suggested Outline of a Canadian Development Corporation.

Purpose:

1. To invest, in association with other private Canadian investors, in new industrial, utility or merchandising ventures in Canada or in small existing concerns in these fields that cannot obtain adequate financing from other private sources.
2. To bring together private capital and experienced management in order to develop new ventures. To this end the corporation would co-operate, and not compete, with other individuals and institutions in providing capital.
3. To investigate, on behalf of other parties and in return for an appropriate fee, the practicability

of new ventures.

Capital:

All shareholders should be Canadian residents. There should be at least 50 shareholders and there should be provisions designed to reduce the possibility of control falling into the hands of one or a few shareholders.

It is suggested that the initial capital requirements might be in the neighbourhood of \$50-\$75 millions, with authorized capital well in excess of this figure. The corporation should endeavour to build up its resources by reinvesting earnings and it may be mentioned in this connection that dividends received by one Canadian company from another are not subject to corporate income tax.

The corporation should be empowered to issue funded debt and to guarantee security issues of private companies.

Operations:

The corporation should be able to supply either equity or debt capital. It should seek to sell its investments in new ventures that have succeeded to the point where public interest is assured, and thus revolve its capital. Idle funds may be invested in any marketable Canadian securities.

Organization and Management:

A board of directors should be elected by the shareholders, which would in turn appoint a president and other senior officers. All members of the Board and all officers of the corporation should be Canadian

residents. The principal office should be located in either of the two main financial centres of Montreal or Toronto. This is with all due respect to my friends from the west and so on.

THE CHAIRMAN: I am glad you let us in. You are very broad-minded.

MR. BALL: The staff of the corporation should contain qualified engineering, financial and legal personnel to adequately appraise the feasibility of new projects.

That is the submission.

THE CHAIRMAN: Well, thank you, Mr. Ball, for a most interesting submission. We will keep our eye on the time of your board meeting but if we might ask you one or two questions we would very much like to do so.

MR. BALL: Sure.

THE CHAIRMAN: First of all, on the first question, this question of "Are there any classes of deserving borrowers whose needs may not be served adequately?", have you any views on the facilities for the provision of consumer credit? Do you think the facilities are adequate?

MR. BALL: I think they might be too generous. There are a number of new firms, of course, coming on the market all the time. I think there is too much competition in that field at the present time.

THE CHAIRMAN: Thank you. Then, in discussing the question of banks investment in mortgages you said that they should bear some proper relationship

to their savings deposits. Do you mean in order to keep the savings deposits liquid?

MR. BALL: Liquid.

THE CHAIRMAN: And then again, in connection with the banks' investment in mortgages and the possibility of the practice that they will sell mortgages to others, there were two points I wanted to ask you. First, whether you felt there was any urgency about encouraging the development of a secondary market for mortgages and, point two, what are the difficulties in developing such a secondary market, if any?

MR. BALL: Well, at the present time some of the banks do sell a large dollar value of blocks to pension funds and others for investment. In the United States, of course, the small investor often likes to have an interest in the mortgage. They have developed a scheme whereby a trust will take a block of mortgages up to the value of \$250,000 and one of the dealers will issue a participation certificate against the trustee. The trustee will confirm that he has a 10,000 interest in that particular block. That would develop a broad market, I think, to the small investor.

THE CHAIRMAN: Is that being done on any scale?

MR. BALL: It is not done at all in Canada but I was in Ottawa yesterday and we kind of discussed it rather thoroughly.

THE CHAIRMAN: It seemed to me that your discussion of the corporate financing was very complete and it leaves me with no questions to ask except one.

At page 12 you have made the suggestion that in connection with Canadian subsidiaries of foreign corporations that you would like to see some part of the shares of those Canadian subsidiaries made available to Canadians. Many people have made that suggestion directly or indirectly to us, not in the same careful way perhaps that you have developed, but it has been suggested to us, that that would be presumably a good idea for Canadians. I am not quite so clear as to why it would be a good idea for the foreign owners. I know that in the reverse situation the Canadian owners of companies with subsidiaries in other countries have not shown any great enthusiasm in the suggestion that they might sell some of the shares of their foreign subsidiaries to the people in those countries and have pointed out quite obviously that that does complicate certain management arrangements and you have to take other people into account in making decisions and so on. Would you like to expand your views on that?

MR. BALL: When you mention other countries it is possible that they do not have the medium to invest, but in Canada we have. We will say X corporation comes into Canada and puts up a plant. They have to sell their goods and I am quite confident if the Canadian public did indeed know that they could buy that company's stock, they would buy that company's goods and tell their friends to do so. An example of that, I think, is Ford. The Ford Company in the United States -- 15 percent came to Canada, but purely from a sales matter, we have Mr. X who owns some Ford stock and he will buy a Ford car and he will

tell his friends the advantages of owning a Ford. Don't forget they are coming into a foreign country. We are all very friendly but I have preached to the heads of foreign corporations that it would be good public relations to allow Canadians to participate in the management of their corporations.

THE CHAIRMAN: I am not disagreeing with you.

MR. BALL: I have a number of good accounts that disagree but I still think it is good.

THE CHAIRMAN: Well, everybody can't agree.

I won't press that point any further. I think we were all most interested when we received this paper of yours about the suggestion of a Canadian Development Corporation. There was one question that I wanted to ask you particularly about it and that is, in the first purpose:

"To invest, in association with other private Canadian investors, in new industrial, utility or merchandising ventures in Canada or in small existing concerns"

Do you think that an organization that is set up to investigate substantial new ventures and to go into things in a relatively large way would be able to effectively at the same time make investments in considerably smaller shows?

MR. BALL: Well, don't forget the idea is to help the small as well as the large. I know from our own loans there are half a dozen maybe small ventures that need management and guidance and they are quite willing to go to these people and ask them

to participate in it and from that they would get cheap management, guidance and engineering to help them over the load. I don't know whether that fully answers your question or not.

THE CHAIRMAN: I think it does. I was wondering whether the engineers and the management would be as interested in the smaller shows in which presumably they would have much smaller investments as they would in the bigger projects.

MR. BALL: Well, they are in for profit and if they have X dollars to invest in even a small corporation and if they can go in there with revised management and engineering and so forth, they would up the profit and they would receive their dividends in due course. Another point, of course ---

THE CHAIRMAN: It is a lot harder, of course, to run a small business than a big one.

MR. BALL: I suppose. By diversification of the portfolio of the corporation I meant the diversification of corporations producing different products.

MR. GUSHUE: Mr. Ball, this is not a very important question but your reference to an investment dealers' organization, is that an organization of investment dealers?

MR. BALL: Oh yes. There is an Investment Dealers' Association of Canada to which most of the bond houses and underwriting houses belong and they meet annually practically and they have their own rules and regulations and when you apply for membership you must be sponsored by the right people and so forth to be able

to display the sign I.D.A.

MR. GUSHUE: They pool experience?

MR. BALL: First, they run schools for both salesmen and technical men in both Toronto and Montreal and also throughout the west they have these lectures to bring in younger men and to explain the investment and banking business.

THE CHAIRMAN: Something like the Law Society?

MR. BALL: In the United States they call it the Investment Bankers Association, but by law up here it is the Investment Dealers Association.

MR. GUSHUE: Your reference to the small number of loans, have you any idea how that is related to the number of applications?

MR. BALL: I don't know.

MR. GUSHUE: I just wondered if it would be just a small percentage of the applications.

MR. BALL: It is a very good question. They have only got \$48 million. We loan out to corporations. We have a large organization. Of course, it is for the small man too, but that is all we have on the books at the present time. These are the figures. Now, the applications during 1953 -- authorized 142, refused 70, and withdrawn 50. Withdrawn means they have looked it up and said: "You had better withdraw your application" or they may have said: "Well, we think one of the banks may be glad to have a look at it". That is 262 applications. In 1954 they authorized 121, refused 49 and withdrew 53, for a total of 223. In 1955 they authorized

145, refused 56 and 58 were withdrawn for 259. So that gives you some indication.

MR. GUSHUE: Reasonably close to 50 percent?

MR. BALL: Yes.

MR. GUSHUE: My reason for asking that is that we did encounter the view that the Industrial Development Bank was too rigid and rather unapproachable. Do you feel that the new legislation will cure that?

MR. BALL: The new legislation will broaden their field of lending. I think they loan to manufacturers now. I have not seen the Bill but I understand it includes industries. We frankly have found the I.D.B. very helpful. If someone comes to us with a fairly good, decent deal, which is not really a banking proposal for a commercial bank, we have called up the I.D.B. and said: "Mr. Jones is coming over", and we have found they receive a warm reception and send their engineers out to look the field over. We have no criticism at all of the Industrial Development Bank but I think their field can be broadened sharply.

MR. GUSHUE: You have not studied it sufficiently to be able to say?

MR. BALL: No, it is only coming in this week. I don't think the Bill is available. I was talking to the Minister yesterday and he said the Bill was being introduced this week.

MR. GUSHUE: Just one more question. On page 10 you refer to the possibility that the annual volume of retained earnings will grow somewhat less rapidly in the years ahead than in the immediate post-war

period. Would you like to expand that as to the reasons?

MR. BALL: Well, I might put it this way. Since the end of the war we have been running the mile in four minutes and we are taking maybe respite now and maybe the pace will be slower and therefore I think earnings in a great many instances -- for all industry today, I am sticking my neck out -- but I am quite sure they won't sell as many cars this year as last year. There will be a falling off.

MR. GUSHUE: This is based on the feeling then that earnings may slacken off somewhat?

MR. BALL: Yes. May I just add another thing on that about retained earnings, that the costs are rising constantly. General Motors, of course, have settled their strike and it is going to cost them -- I know the figure -- I can't reveal it -- but it is substantial. That can apply to other industries as labour contracts expire and more demands are met. All this means that retained earnings will be constantly lower.

MR. STEWART: Can you tell me about the convertible bond, where it is being placed?

MR. BALL: Well, on convertible bonds, let us say X uranium company has just floated \$15 million and it reads in the text of these bonds that they may be converted into common stock at X number of shares at so and so. Suppose a bond is brought out at par, \$1,000 and the stock is selling at \$15 but the text of the bond reads that this bond may be converted into 100 shares of stock at \$17. Then, when the market

reaches \$17 of course, the bonds are selling on the conversion feature. That is not a good example because bonds would be selling at \$100. Then you, as an owner, can say: "Well, I will exercise my right and take the bond into the trustee and get stock and sell the stock on the common market". But the bond is usually in keeping with the price of the common stock on the market. Do I make myself clear?

MR. STEWART: Yes. This has been used mostly in what field?

MR. BALL: Well, usually in the extractive industries where I mean they have to hold out a little bait to the investor where he will say: "Oh, all right, I am getting a little interest. I am also riding along if it strikes oil or they get uranium, the stock is going to move and I can convert".

MR. STEWART: You think it will be increasingly used?

MR. BALL: Yes. If you had been good enough to buy some Interprovincial Pipeline bonds at par of \$100, they went up to 280 because you had a conversion feature in there.

THE CHAIRMAN: A little hard to get them, wasn't it?

MR. BALL: Yes. I am told of others, though, that went down.

MR. STEWART: Is it your feeling that the volume of savings of Canadians, the ratio to the income is likely to remain about the same or do you think they could be induced to save and invest more?

MR. BALL: Well, taking the chartered banks by and large I would say yes. I noticed in the Globe & Mail yesterday a four half page ad by the bankers telling you to put your money in the bank and save it. You see, there are angles to that, too. We must earn our dividend too. I would say to you actually that is a difficult question to answer. Might I go this far: last April when Butler brought in his restrictions on housing and everything in England it was purely to endeavour to increase the savings and he had, of course, to increase luxury tax, but the savings have not gone up any important figure at all. They are earning the same wages and everything but if they can't buy certain things because of luxury taxes they are going out and buying cake and candy. I think since he has put that up the sales of cake and candy have trebled in England. They are not saving the money.

THE CHAIRMAN: Well, thank you very much, Mr. Ball. We are most grateful to you and, as I said before, we are extremely grateful to the Bank of Montreal for the great help it has been to us.

Thank you.

--- Recess

--- After Recess

THE CHAIRMAN: We will come to order. We will call on Dr. Denstedt to present the submission of the Canadian Food Technologists Association. We will mark your brief Exhibit 188.

DR. DENSTEDT: Mr. Chairman and Gentlemen of the Commission: This is an honour and a pleasure to

be invited to present the brief on behalf of the Canadian Food Technologists Association, but before we proceed, I should like to introduce a number of members of the Montreal section of this Association -- Dr. R. H. Common, Professor of Chemistry, Macdonald College, McGill University; Dr. F. H. Knelman, Chief Research and Development Engineer, Stuart Bros. Limited, Montreal; Mr. Paul Jean, Director, Food and Drug Laboratories of Department of National Health and Welfare, Montreal; Mr. F. Semmons, General Sales Manager, Natural Food Products, Limited, Montreal; Mr. Andrew Moldavan, Director of Research and Product Control, Guaranteed Pure Milk Company Limited, Montreal; Mr. Geo. H. Goldschmied, Works Manager, McLean's Food Products Limited, Montreal; and Mr. W. R. DeCelles, Industrial Sales Division, Merck and Company Limited, Montreal.

In looking into the future in Canada there are two or three things that we are prone to take for granted. One is food, another is water and another is the supply and quality of the technological people for the future. All these factors have tremendous implications and ramifications and in the brief that Professor Common will present we have tried to bring out some of the implications.

THE CHAIRMAN: Professor Common, if you would like to sit down.

DR. COMMON: My conditioned reflexes are conditioned, so to speak, to stand. It does not indicate that I am a lay preacher by hobby.

DR. DENSTEDT: Mr. Chairman, may I just

say if there are questions afterwards, we have representatives from these industries who will answer.

DR. COMMON: The significance of scientific research and technology for the development of the food industries in Canada -- A brief presented to the Royal Commission on Canada's Economic Prospects on behalf of the Canadian Food Technologists Association.

1. Nature and objectives of the Canadian Food Technologists Association.

The membership of the Association includes bacteriologists, chemists, physical chemists, biochemists, engineers, chemical engineers, pharmacologists, pharmacists, entomologists, sanitarians, economists, executives and salesmen. All of these members are engaged in, or concerned with, some aspect of the processing, packaging and distribution of food. The objectives of the Association are set forth in Article 4 of its By-Laws as follows:

"This corporation shall be a nonprofit, scientific educational association, the objectives of which shall be:

(a) to promote the application of science and engineering to the production, processing, packaging, distribution, preparation and utilization of foods;

(b) to stimulate investigation into problems arising therein and provide a medium for promulgating and discussing the results of such investigations;

(c) to stimulate and provide means for the free interchange of technological information

"and ideas among food technologists;

(d) to promote recognition of the role of food technologists in the technical direction of operations in these fields."

2. The nature and scope of food technology.

The primary concerns of food technology are the supervision and improvement of methods and equipment used in the processing and distribution of food. In its wider aspects, however, food technology is concerned with the entire complex of scientific, technical and economic factors which may have a bearing on the production, processing and distribution of food.

The food industries are diversified and in modern times they have become highly specialized. In keeping with this trend, the food technologist needs to have a sound basic scientific training coupled with an intensively specialized knowledge of the materials and processes used in his own particular industry. He must also remain alive to the necessity of keeping abreast of general developments in other fields; for such developments may assume significance for his own field in an abrupt and urgent fashion. The impact of antibiotics on the feedstuffs industry and of research in chemical warfare on pest control may be cited as two examples of this kind of development.

3. Objectives of the Brief.

The Association believes that realization of its objectives, as quoted in paragraph 1, would represent an important contribution to the fuller economic development and the national welfare and

security of Canada. The Brief has been prepared, therefore, with the intent of furthering those objectives.

The Association considers, moreover, that the growth of Canada in population and power presents serious challenges to the food industries, and that the nature and magnitude of some of these challenges are not as widely appreciated by the general public as is desirable. The Brief deals, therefore, with certain of these problems as seen from the standpoint of the food technologist.

A. The general position of the food industries in Canada.

It seems desirable here to offer some prefatory comments on the general economic situation of the food industries in Canada, since it affects the situation of food technologists and their fields of activity.

A large and influential segment of the food processing industry in Canada is comprised of subsidiaries of parent companies which are located outside Canada. These parent companies are mainly in the United States, although a few are located in the United Kingdom. A similar state of affairs exists in other large industries. The situation would seem to be in keeping with the normal pattern of development of major industries in "new" countries which depend largely on foreign sources of "risk" capital. As primary industries become firmly established, there is a tendency for the relatively cautious Canadian investors to buy their way into such enterprises; and the financial control of some has passed in this way into Canadian hands. Transition of this kind is a slow process; and, in the field of the

food industries, it is offset by the acquisition of established smaller Canadian enterprises by large scale outside interests. Foreign investments are necessary and desirable for the industrial development of Canadian resources, yet at the same time such foreign investment may result in centralization of basic scientific and technological research outside Canada in the interests of efficiency. The disadvantage of this situation, from the standpoint of the technological development of Canada, is the consequent restriction of opportunity for creative technological work in Canada. This restriction in turn prompts the emigration of an undesirably high proportion of more promising and enterprising young food technologists. Certain of the larger industries that are under foreign control have established research and development departments in Canada, notably in the metallurgical and chemical industries, but this trend is not yet prominent in the food industries. Indeed, when smaller Canadian food industries are acquired by outside interests, existing research and development work is likely to be transferred to headquarters outside Canada.

The smaller indigenous enterprises, with certain notable exceptions, do not carry on any substantial research programmes. This situation is possibly determined by the circumstance that these industries tend to operate on relatively small margins and to depend on volume of sales for their profit. It is possibly significant here that indigenous pharmaceutical enterprises are relatively much more deeply committed to

research and development programmes. The fact remains that the Canadian controlled food industries, with certain notable exceptions, do not make adequate use of food technologists; and that food technology in Canada is restricted in its development in so far as indigenous firms do not carry on programmes of technological development, while the foreign controlled firms, although they maintain such programmes, tend to centralize their research and development outside Canada.

5. Some specific examples of the comparative neglect of food technology in Canada.

Whether or not the reasons adduced in paragraph 4 for the neglect of food technology in Canada are correct, it is not difficult to give particular instances of this neglect:

(a) There is insufficient appreciation and utilization of the contributions to the development of new processes or products that might accrue from technological work by microbiologists or others with biological training. As one example, it is questionable whether any Canadian food industry is concerning itself seriously with physiology of taste and smell, which are factors of primary importance in determining consumer acceptance. Canadian controlled concerns have done work on the preparation of biochemicals from animal products, but this development is in its infancy so far as Canada is concerned.

(b) A better appreciation of the usefulness of trained bacteriologists for supervision of plant

operation and for "trouble-shooting" in canning and packing operations would reduce the incidence of rejection of packs; for example, lack of control of mould count in tomato packs leads to unnecessary heavy losses.

(c) The dairy industry faces serious challenges. Protective legislation and subsidization can provide a measure of protection for the time being, but this cannot last indefinitely in its present forms. As Canada becomes increasingly industrialized and urbanized, the popular demand for cheap food is likely to bear more heavily on fiscal policies. Moreover, it is highly probable that the industry will have to meet competition in the future from edible protein products made from plant products as well as the established competition from edible vegetable oil products. Intensive study of all methods of utilizing and marketing dairy products is well-nigh imperative.

(d) The inroads of industrial plants and their ancillary urban and suburban developments into certain areas of first class, specially favoured agricultural land, e.g. in the Niagara peninsula, will reduce production of certain important food products. Consequently it will become necessary to increase imports of these products to meet the needs of an increasing population. Close study should be given to the risks involved in the permanent loss of these areas to agriculture, for there is reason to believe that Canadian resources in respect of such land are more limited than is generally appreciated.

(e) Industry is vitally concerned to have

abundant and steady supplies of water. Indeed, it has been stated in the Paley report that the location of new industries in the United States during the next 20 years will be determined primarily by the availability of adequate water supplies. The food industries require, in addition, that their water supply shall be pure.

Industry is, or should be, equally concerned in reduction of pollution of streams or ground waters. Stream pollution may have adverse effects on humans or on processing and also have a directly deleterious effect on the fresh water fishing industry. Canada needs more research on the disposal and utilization of wastes and on the reduction of pollution, and also on the technology of water supplies in general. The time is probably ripe for the institution of a Federal Agency devoted to sustained research and study of water pollution and related problems. The work of the Water Pollution Research Laboratory of the U.K. Department of Scientific and Industrial Research may be mentioned here. This Laboratory has given invaluable service in the United Kingdom in peace and war, and at the present time it is engaged on urgent problems associated with the development of atomic energy that were not contemplated when the Laboratory was set up some thirty years ago.

The problems just mentioned above are of the kind that call for close study and research before they assume critical urgency. Such study should consider and investigate all possible solutions of the problems and not merely immediately feasible solutions; for the solution that is set aside today as impracticable

may well be necessary and imperative tomorrow.

(f) The problems of disposal of

domestic and industrial wastes are closely related to the problems discussed in section (e), so closely, in fact, that they might almost be treated together. The Association has elected to comment separately on the existence of these problems mainly because it believes that the application of science and technology will eventually succeed in finding useful outlets for many materials presently regarded as waste. The problems of waste disposal have many different and difficult aspects, administrative, legal, and industrial as well as technological. The Association considers that the difficulties involved should be a challenge to study and research, and that in this matter much of the study and research must devolve on Government agencies.

6. Food technology in relation to the introduction of new food industries and products.

The importance of research on new food products is obvious. The outstanding success of canned tomato juice as a means of utilizing the tomato crop to better advantage, and the development of improved strains and of improved packing systems in the canning of peas and of corn provide examples of what can be achieved. Again the steady progress of research on the isolation and synthesis of substances responsible for distinctive food flavours has made possible the more extensive use of these flavours, with a corresponding increase in the production of specialty goods

and the development of novel products. Intensive research on the auto-oxidation of oils and fats has provided the housewife with edible oils and shortenings that have a degree of stability unheard of 25 years ago. In the preparation of canned mushroom soups, mushroom mycelia are grown by deep culture methods that were adapted from those used by the manufacturers of penicillin. The introduction of new materials and new methods of packaging have revolutionized the degree of sanitation and attractiveness with which many foods are sold to the consumer. If an industry is to reap its share of the advantages that flow from such technological advances, it must have its own technologists who are competent to appraise and apply such techniques within its own field of operations.

In this connection it must be remembered that technologists are needed, not only for manning existing industries, but also for the initiation of secondary industries. As basic industries become established technical opportunities arise for such initiation (e.g. the emergence of petrochemical industries in Western Canada). Capacity to recognize and to seize on these opportunities depends on the ability and size of the available reserve of scientific and technological personnel.

7. Food technology in relation to national health and national security.

Food technology is of considerable significance in relation to national health and security. The Association, therefore, wishes to record its

conviction of the absolute necessity of fostering the closest possible liaison between the nutritionist and the food technologist. It is to be recalled in this context that the development over the past sixty years of the newere knowledge of nutrition has been closely related to changes in methods of processing food. The classic association of rickets with industrial urbanization and of beri-beri with the use of polished rice are familiar instances. The speed with which urbanization or developments in food technology may affect dietary habits, however, is now probably greater than in previous eras. The impact of catalytic hydrogenation on the shortening and butter industries over the past fifty years is a typical example of this feature of modern industrialized society.

Again, the development of knowledge of the role of the vitamins in nutrition has influenced profoundly the development of the citrus fruit industry as well as the production of many other food items. At the present time the development of frozen foods has posed a series of scientific and technological questions the solution of which is equally important for the nutritionist and the food technologist. Both groups, also, are vitally interested in the implications of the increasing use of "chemical additives" in foods, a field of great difficulty and complexity. For example, coumarin, widely recognized and used as a safe food flavouring material for decades, has only recently been removed from the list of permitted flavourings in the light of more up-to-date studies by the U.S. Food and

Drug authorities. Tolerances for insecticidal and fungicidal residues have been revised downward, and within the last year a number of colouring materials have been deleted from the list of permitted colours.

The bearing of the food technology on national security is closely related to its bearing on national health because national morale is in part dependent on national health. The validity of this principle was fully appreciated by the Government of the United Kingdom before and during World War II; and it is generally conceded that the measures taken in the United Kingdom to apply the principle were timely, wise and successful. Food technologists were closely engaged in matters arising from war time problems of storage, distribution and rationing of food, frequently under conditions of extreme urgency. Food technology also has immediate relevance to the provision of supplies for the armed forces, where specifications frequently depart widely from those adequate or desirable in normal peace time food supplies. It is sufficient to mention two examples from the canning industry; the need for rigid specifications of vacuum in view of possible high altitude air transport of supplies, and the devising of special lacquers to resist possible corrosion under tropical and desert conditions. It is correct to say that the exigencies of active service conditions bring forward countless problems, frequently of an unexpected kind. Competent food technologists, as well as nutritionists and many others, were essential for the successful and efficient solution of such problems.

Moreover, it was and is well-nigh essential that the teams working on such matters should include personnel from academic, civil service and industrial fields of food science.

At the present time the Department of National Health and Welfare maintains efficient laboratory services with an active programme of research designed to safeguard the public against the production and sale of unwholesome food. It is of utmost importance that everything possible should be done to maintain and further to encourage interchange of knowledge and information between Government agencies concerned with nutrition, public health and national security.

8. The disparity in Canada between the need for food technologists and the demand for their services.

The foregoing paragraphs have set out the Association's belief that the need for food technologists in Canada is extensive and that it would be in the national interest to meet that need. The Association is fully aware that this contention may be met with the argument that if such a need did exist, then there would be a corresponding demand, whereas in point of fact, the demand is relatively restricted and financial incentives to enter food technology as a career are modest. The Association believes that this argument is fallacious in relation to the modern technological society in which we live. It is a matter of historical record that, in the United Kingdom prior to World War I, there was an urgent need for chemists and for the expansion of chemical research, and yet there was little encouragement to enter the field and

the status and financial rewards enjoyed by the chemist were meager. No similar mistake was made by the central European powers which had attained a virtual monopoly in many fields of chemical industry. The Association's contention is that the disparity between the need and the demand for food technologists is analogous to that which prevailed in regard to chemists in the United Kingdom forty years ago. Needs and demand are by no means necessarily related in matters of scientific and technological research and development. At the same time, the technological era has been a reality long enough to demonstrate the unreality and short sightedness of allowing the pace at which needs are satisfied to be determined solely by the inertia of demand.

The lessons to be drawn are, firstly, that Government agencies must continue to develop their activities in the fields of food science and technology, thereby providing a certain limited demand for food technologists; and, secondly, that every practicable measure should be taken to encourage industry to utilize native initiative and creative ability, for a development largely centred on the expansion of Government agencies would suffer from serious lack of balance and would be especially vulnerable to the defects latent in governmental monopoly of any technological activity, however well intended.

9. The education and training of food technologists.

It goes without saying that the food technologists should have a good general education. The Association does not wish to enter into a discussion

of education at the high school stage -- another popular hobby which we have foregone on this occasion -- beyond offering the following comments:

(a) The Association is mindful of the importance -- indeed, of the vital necessity -- of encouraging creative thinking and its application in the humanities, the social sciences, the fine arts and other spheres of human thought and action, so that the unfolding of the national life of Canada may keep pace with the growth of the country in commerce, industry, technology and the natural sciences.

(b) The Association has been impressed by the following remarks of Sir Philip Morris:

".... It is very desirable that every boy and girl in the course of his or her education should begin to feel that there is a job in life which is especially theirs, or, to put it in another way, that they should acquire a sense of vocation.

.....In the state of affairs as it exists today a boy or girl can no longer discern in the habits and customs of his home and his own immediate community what his future employment and environment might or ought to be. From the point of view of society as a whole, it is unsafe to assume that the population at large will, without lead or guidance, respond with sufficient speed to the changing and rapidly developing needs of society. From the point of view of the

"boys and girls themselves, they have a right to expect that by one means or another, society will make available to them information and opportunities of experience which will enable them to shape their lives and direct their efforts."

The Association endorses these views and believes that vocational guidance, using the word vocational in its true sense, calls for increasingly serious attention. The Association also believes that, from the narrower standpoint of its own objectives, the possibilities of a career in food technology as a satisfying life work should be included in any scheme for furnishing boys and girls with guidance in the choice of their life work. And in this connection the Association wishes to reiterate its conviction that a sufficient cadre of well-educated and adequately trained technologists is essential if problems of the kind discussed in preceding paragraphs are to be tackled realistically.

Having stressed the importance of general education and some sense of vocation, it is desirable next to consider the training of the food technologist for his work. The Association is convinced that the primary requirement is a sound grounding in the basic sciences, viz., physics, chemistry, biology, and the elements of mathematics including statistics. Premature specialization in purely technological aspects should be avoided at the undergraduate stage. Industrial technology shifts and changes quickly, whereas basic

knowledge and principles change but slowly in relation to a life time. Moreover, the basic need of industry is for men who have learned how to learn, and who can approach the specialized study necessary in any branch of the food industry in the light of a sound basic training in science. Thus it is important that, at this stage of training, something should be done to foster open-mindedness and ability to appreciate the knowledge and approaches of those trained in other disciplines; for intellectual or technical arrogance is no advantage to the worker in such a complex and diversified field. In short, a food technologist's qualifications should carry the status and connotation of a license to learn.

Where should food technologists be trained?

Having regard to the desiderata outlined above, it would seem that the Universities are the most suitable place for training at the undergraduate stage. Those who proceed further would best be trained in an institution offering specialized instruction in food technology. Such instruction should be of an advanced nature rather than offering a superficial introduction to the field. The latter circumstance is only too likely to arise when technology is introduced prematurely. At present the opportunities for such instruction in Canada are limited, and it is questionable whether this work should be forced on existing Canadian University departments. The Association inclines to the view that further study might be given to the possibilities of a Canadian institute comparable to the Massachusetts Institute of

Technology, or a Continental "Technische Hochschule" and which would include food technology within its scope.

10. The technologist in management

Those with experience of the food industries are aware of the existence of a ladder leading through the technological side to higher executive positions. The Association believes it to be in the national interest that the food industries should attract technological recruits likely eventually to prove themselves in executive and administrative positions. It is obvious that in order to attract men of appropriate calibre, the initial technological phase of this career must carry adequate financial incentive.

11. Recommendations

In conclusion, the Association respectfully submits to the Commission the undernoted specific recommendations that have been framed in the light of the considerations outlined in the foregoing paragraphs of this brief:

(a) That the Government should urge on Canadian industries the necessity of carrying on development and research on their own account or of supporting such research in other ways; that this should be encouraged, if necessary, by a more radical policy in regard to tax relief in respect of funds and profits ploughed back into research and-or development; and that research in nutrition and food technology in Canada, and the conditions that lead to such research, be encouraged by Governmental action.

(b) That encouragement be given to decentralization of technological and operational control of food industries in as much as this would favour the development of food technology in Canada.

(c) That consideration be given to the possibility of organizing research in the food industries along lines similar to those adopted by the Research Associations of various industries in the United Kingdom, where the Associations are financed in part by Government and in part by the interested industrial concerns.

(d) That conservation and protection of our fresh water resources and reforestation be actively promoted, because these activities are basic to the future welfare of Canada and of the food industries among others; and that serious attention be given to the setting up of a Government agency charged with the duty of conducting research on water pollution in Canada.

(e) That the education of personnel for careers in food technology should be based on a sound training in the basic sciences, with deferment of specialized studies until the student has a sound grasp of principles; and that close study be given to the desirability or otherwise of setting up a Canadian institute for post-graduate training of technologists, comparable with the Massachusetts Institute of Technology or the Imperial College in London, such an institution to include the food science and technology within its scope.

THE CHAIRMAN: Thank you very much,

Dr. Common.

MR. STEWART: Dr. Common, on pages 3 and 4 you have reference to the fact that where Canadian industries are subsidiaries of American industries, the research is not carried on in Canada; it is carried on in the United States and to some extent in the United Kingdom. Is this done generally? Would that apply, say, to the dairying field, is that true there?

DR. COMMON: I think it would, but I think perhaps Mr. Moldavan should answer that.

MR. MOLDAVAN: That is quite right. Most of the research is being done in the United States in so far as processed cheese is concerned and dry milk powder.

MR. STEWART: And being done by companies which have subsidiaries in Canada?

MR. MOLDAVAN: That is quite right.

MR. STEWART: Would this be true of the livestock field, livestock processing?

DR. COMMON: Yes, I think you could say that. Well, Swift's are the big packing company here. I don't know whether they carry on any of their research here. It would be at their headquarters, I should presume, in Chicago.

MR. STEWART: Do any of the large Canadian meat processing companies carry on research?

DR. COMMON: There is one which is one of the notable exceptions carrying on and initiating a programme at the present time.

THE CHAIRMAN: Their president happened to be an ex-research man which might have something to

do with it.

DR. COMMON: That is a bright hope,

Mr. Chairman.

MR. STEWART: How about the grain field, milling?

DR. KNELMAN: I would say that the milling companies are possibly exceptions insofar as at least one Canadian milling company has initiated and is conducting a major expansion of research but what I think we mean to say here is that the dominant aspect of research in Canada was that the research is done in the headquarters rather than throughout the country.

MR. STEWART: Throughout your brief there is an emphasis on getting industry more interested in carrying on research in its own area?

DR. COMMON: That is correct.

MR. STEWART: Do you think that there has been a tendency in Canada to conceive of research as being primarily a government function?

DR. COMMON: Yes, I think perhaps there would be that tendency. Canada is not the only place where that sort of thing obtains but I think the Association would be happier if it saw a sharing of the research, not throwing it entirely on the government.

MR. STEWART: I think it is on page 13 that you develop this point. Do you see any way of separating the areas as to what is legitimately a governmental research concern and what is industrial?

DR. COMMON: I don't think it would be very easy. I did make one point that I think the

Association agrees on that a matter such as water pollution, the study of rivers and streams, I think that has to be a government agency, any study like that but I don't think governments should start to indulge in research in food packing.

DR. DUNSTEDT: May I speak to that too? It is quite evident now that a slow process of sharing research is going on, that more and more the load and responsibility that is properly industry's is carried by industry, but it is going slowly and too slow for development at times but we need not fear that it will be shared by the government and industry, because once industry is aware of the need itself, it will take that over.

MR. STEWART: Then we should give it encouragement to do so?

DR. DUNSTEDT: Yes, that is evident indeed.

MR. STEWART : On the training of food technologists, first of all is there really such a character as the food technologist? I know there are eight or ten people sitting across from me here who are members of this Association but are they really chemists or bacteriologists or in fact technologists?

DR. DUNSTEDT: They are bacteriologists and chemists and the day has gone when one seems to put a name on an individual calling him a food technologist and the brief emphasizes the necessity of a very broad training in any individual in his need for fitting into various functions. It is a basic training that industry wants a man to have now and not a training in techniques

as it has been in the past and it is rather significant that schools which have given courses in food technology have been more or less discontinued.

MR. STEWART: I was going to take those cases.

DR. DUNSTEDT: British Columbia, I gather, has discontinued its courses because industry wants a man to fit in where it wants him to and a man requires pretty broad training in order to do it.

MR. STEWART: Then what do you visualize as a programme at the graduate level for food technology?

DR. DUNSTEDT: Dr. Knelman is a good man to talk on that.

DR. KNELMAN: Well, I would say that the present university courses with very, very minor deficiencies are adequate to train people for the food industry but what we lack are post-graduate schools or schools where advanced and more specialized training could be obtained. I think the chemical engineer, for example, by his training with the minor exception that he does not have enough of the biological sciences which could be introduced quite easily without changing the basic course, the chemical engineer is adequately trained as a food engineer. What we do want, however, is if you study post-graduate courses among chemical engineers, they are certainly not working in the field of food technology whereas in the United States it is interesting that I think 70 percent of all chemical engineer graduates go into the food industry which is a reversal from the historical trend where it was

petroleum that absorbed the majority.

MR. STEWART: My last question is what is the advantage of having one centralized institute of technology in comparison with spreading work at the graduate level between existing institutions? Why do you argue for some national organization like the Massachusetts Institute of Technology?

DR. KNELMAN: Well, my own feeling on that matter is that engineering is still relatively in rather a craft or a study of practices rather than the science in that the latest discussions and controversies in this field are that the engineer must encourage in his training higher studies and post-graduate studies; in other words, where you have an engineering university where this can be done. I don't think the present institutions with the kind of curriculum training they have allow for this and I think that a university of engineering or an institution of technology would provide for the kind of advanced training that the engineer requires.

THE CHAIRMAN: Well, thank you very much, gentlemen. We are very grateful to you.

The next submission will be made by Dr. Carbonneau. Dr. Carbonneau, we will mark your submission Exhibit 189.

DR. CARBONNEAU: Mr. Chairman and members of the Commission, I wish to make a few suggestions on behalf of a mining group known as the Gourd-Riverin Syndicate.

This group specializes in prospecting and

exploring ore deposits and develops them to the point where they justify major financing. To date they are responsible for three new camps destined for major mining development.

We operate independently, that is to say, we are not affiliated with any large corporation. Our experience illustrates the many difficulties encountered by independents in prospecting, exploration and mining development work. It also demonstrates that fortune can, in Canada, smile on the newcomer, the little man and the middle-size man, as well as the big fellow.

Creating and furthering the prosperity of groups such as ours is necessary to guarantee that the mineral treasures of this country are shared widely, instead of concentrated into the coffers of the already big corporations and monopolies. Any action which encourages the success of such groups should be considered most democratic.

It should be remembered that, in relation to their resources, the independents have made the majority of new finds and contributed much to the development of our country.

We propose to show how this contribution can be vastly increased.

The essential difference between the opportunities of the independents and the big corporations is the facilities made available to the latter by their almost unlimited funds.

Let's look at these facilities and see how they can be improved and made more accessible to all,

large and small, for the best development of our country.

Some already are provided, in varying degrees, by public institutions, the federal and provincial governments, and the universities. As examples, I cite the action of the Quebec government in building an access highway to the rich Chibougamau mining district and the federal government's extension of the C.N. railroad now under construction to St. Felicien.

Thus, it can be seen that our public institutions are already contributing greatly to the mining industry. Some of our suggestions call for new action, others an intensification of effort already started, and in some cases stress the need for better co-operation among such public institutions.

Therefore, Gentlemen, we suggest:

1. Creation of an Economic Research Centre:
Information should be readily available to enable independent mining people to find out for what minerals they should search. When such minerals are found, the independents should be able to know what is their economic importance and their immediate future.

Such a centre should be able to inform our mining fraternity on the policies and trends in the policies of our western democratic governments with regard to subsidizing and stockpiling certain minerals. This should be done whether these policies apply exclusively to Canada or to other countries as well, since such acts influence the future of the minerals involved.

This same centre should make available the necessary information on the market available for

certain minerals produced, or about to be produced by Canadian companies and should cooperate in building up a market for the sale of such metals in Canada, the United States, or elsewhere.

2. Compensation for Aerial and Geological

Surveys: Whenever Canadian individuals, groups or companies who are not employees or subsidiaries of foreign companies, make an aerial or geological survey for their own purposes, they should be reimbursed by the Government of Canada, provided:

(a) they have used the services of a group of technicians recognized by the Government of Canada as capable to do such work;

(b) they have not duplicated information already available; and

(c) such information is considered by the government to have increased the knowledge of the Canadian public and government on the geology of the area so covered.

3. Improved Assay Assistance: When a prospector submits samples for government analysis the cost of assaying them should be covered by the government to a greater extent than it is now; and, the money appropriated to such assay offices should be increased in order to produce greater speed in obtaining assay results.

4. Exploration Assistance: A study should be made of the system by which the Washington government, in certain cases, shares the cost of diamond drilling exploration for certain minerals regarded as strategic to the nation's welfare. We should determine to adopt

a similar policy.

5. Increased Metallurgical Facilities

The present facilities whereby the government helps in research to solve ore metallurgy in newly discovered ore bodies should be increased. They should be able to handle a greater quantity of such problems in less time and to cover all types of minerals.

If such expansion is not immediately possible, some of the desired benefits could be obtained at once by giving part of these projects -- ever-increasing with Canada's rapid mining development -- to the different research centres already existing in our Canadian universities. Such work should be done at government expense.

This would carry the additional advantage of developing university organizations throughout the country rather than concentrate such research in government hands at one local point.

Respectfully submitted.

THE CHAIRMAN: Thank you very much, Dr. Carbonneau. On your first recommendation, I suppose one of the jobs of this Commission is to try and make some assessment of the probable demand for metals and minerals and I suppose that at least there will be some comment, although I would not think much speculation about the policies and plans of the United States stock-piling authorities. I would doubt whether any government agency other than the United States could do more than that.

DR. CARBONNEAU: Yes, but possibly for

our own country if any trends develop.

THE CHAIRMAN: For stockpiling here, you mean?

DR. CARBONNEAU: Yes, or even in the hope that it might develop elsewhere it should be useful or sometimes I hope that it may cease not in hope but in use , that it may cease.

THE CHAIRMAN: On your second proposal that the people should be compensated for aerial and geological surveys which are of benefit to the public at large, would you think that that should be approved in advance before the surveys were made?

DR. CARBONNEAU: No, that should be approved after the survey is made and if it meets the requirements of the government they would be reimbursed but it would have to be judged by the government.

THE CHAIRMAN: Well, thank you very much indeed. These are interesting suggestions and we are grateful to you for coming and making them to us. Thank you very much.

We will adjourn until 2.30.

(At 12.00 P.M. the Commission adjourned until 2.30 P.M)

A F T E R N O O N S E S S I O N

APPEARANCES:

Mr. Sam Steinberg, President,
Steinberg's Limited.

Mr. Raymond Dupuis, Q.C., President,
Dupuis Freres Limited.

Mr. Bruce Hills, Vice-President,
Canadian Management Council and
President of Urlick-Currie & Co.,
Industrial Consultants.
Mr. C. Peachy.

THE CHAIRMAN: Now, shall we come to
order? We are very pleased to welcome you, Mr. Steinberg
and to thank you in advance for the presentation you are
about to make to us. We will mark your presentation
Exhibit 190.

I think this issue of the Grocer's
Magazine of February, 1956, with the story of your
company in it might be included as an appendix to the
exhibit for purposes of our records. Now, if you would
like to begin any time, we are ready and waiting.

MR. STEINBERG: Mr. Chairman and Gentlemen:
Everybody in the world of business is fully aware that
a revolution has occurred in food retailing in the past
25 years. One of the most important changes has been
the growth of the supermarket as the modern method of
selling food. Self-service and pre-packaging have dis-
placed bulk products, telephone delivery and credit,
and have resulted together with modern mechanical
refrigeration in large scale one stop shopping. Now,
when we speak of bulk products we refer to all the dry
groceries that at one time were sold from bulk and

weighed and packaged to the customer right in the store. That is not done today. I would say almost 100 percent of everything is now packaged. The customer can identify the product which is labelled, priced and marked, which makes it easy for her to select what she wants without the help or assistance of clerks in the store, and in this way the customer does a lot of the work that was formerly done by the staff of the store.

In the produce, fruits and vegetables. that too is now to a great extent pre-packaged, so the customer has freedom of selection without having clerk service. The most recent of the items that have gone into pre-packaging, is meat. There, the customer has the freedom of choice of meats, each package of meat is clearly marked as to the kind, quality, price, price per pound, so the customer knows beforehand just what size package of meat she wants and the type of cut, without having the meat man put it on the scale and tell her what it amounts to and then the hesitancy on the part of the customer as to whether it is too much or too expensive. She no longer has to go through that procedure, she just goes over to the meat case, selects what she wants and satisfies herself. And the final decision, so far as the customer is concerned, is arrived at at home. She gets the meats home or the foodstuffs home, she prepares it, if she is satisfied she continues to shop in that manner, if not, why the supermarket loses the business. So you have got to stand and fall by what she does when she is at the store and the final result is what takes place in the home.

In a high level and growing economy such as ours, people find that their increased purchasing power is usually in excess of what they require to satisfy their elemental needs. As a result, they demand more and more different kinds of goods, more varieties to choose from within each field, and more services to add to the convenience and comfort of their purchasing task. From the point of view of food merchandising, the demand for more luxurious surroundings, for increasingly greater variety, and for better quality of fresh and processed foods fifty-two weeks a year has had far reaching consequences. One of the most important has been a continuing and steady pressure on operating costs.

This business of supplying customers with fresh meats and produce and the frozen foods of all kinds every day of the week and every week of the year, has added to the cost of distribution. A customer no longer has to wait until Christmas time to buy strawberries; she can buy them every day of the week providing she buys fresh frozen berries, and have the same satisfaction as far as quality is concerned, but the thing is that making that available to her and hundreds of a similar kind, it has added to the cost of distribution in that you have got to provide equipment, very costly equipment, the refrigerator equipment that is in the store to maintain the proper temperature and the large cooling rooms that you have to maintain the foodstuffs in before it gets into the store, both at the warehouse, at the store and also in transportation, and it adds to the cost of

the product itself.

Developments in greater customer comforts such as air-conditioning and proper lighting are but two examples of new activities that lie behind the facade of the store window, and which have tended to increase the operating expenses of food supermarkets. According to the Dominion Bureau of Statistics, Canadian chain combination stores had gross operating profits of 15.6 percent in 1949, 15.8 percent in 1951 and 16.5 in 1953. These are the latest figures available and that is why I can only quote these, but it shows the trend in the rising costs of food distribution as it affects certain gross profits

THE CHAIRMAN: This is gross profit?

MR. STEINBERG: This is gross profit.

THE CHAIRMAN: How is it arrived at?

MR. STEINBERG: The added cost to the net cost of the goods from which all the operating expenses are deducted. I have that as I go along, in the following pages.

However, these statistics must not be taken at their face value because they tend to gloss over the very marked changes that have taken place in food merchandising. In 1930, a typical Steinberg's store stocked about 700 items; today our stores carry at least 5,000 items. We stock not only dry groceries, fruits and vegetables, meats, frozen foods, and so forth, but also carry numerous non-food items, such as health and beauty aids, paper products and variety items. This tremendous increase in the type and variety of

goods offered by a single store has had the effect of reducing the time and effort that the average housewife need spend for purchasing her food and housewares. Furthermore, much of the processing and preparation of food that used to be done in the home, is now done by industry. A great many foods can now be bought with a servant in the package. To the extent that the housewife's work in the kitchen is reduced, she is thereby freed for more gainful employment, recreation, and fuller attention to the other activities of the home. In this sense, today's food supermarket offers a great deal more per dollar spent than ever before, and therefore money costs between two periods of time are not strictly comparable.

I would like to say something about what we mean when we say "servant in the package". Today a customer can walk into a supermarket and buy what you call a TV dinner; she can buy chicken potpie, washed and cleaned spinach, frozen meats, instant coffee, cake mixes, fruit juices, poultry or turkey, she can buy them eviscerated - clean turkey -- and the stuffing right in the turkey, and I am satisfied that the next step will be she will be able to buy a turkey all roasted, just go into the store, pick up that turkey and away she goes; guaranteed double your money back if you are not satisfied.

THE CHAIRMAN: I think all we need now is someone to eat it for us.

MR. STEINBERG: Actually while the processing is done by industry, industry can do it

more economically than the housewife can herself because of the mass manner in which it is done and it reduces the cost in the sense that at no time is there cost of selling; she can walk right up to the case, pick out a turkey, \$10 or more, in a minute, and there you are. Formerly she would go into the store, have a long chat about the quality of the turkey, she liked this size or that size, put it on the scale, weigh it, try to decide -- something about the preparation -- consume 15 or 20 minutes. Now, she just goes over, picks it off the counter, and there it is.

The table on page 4 provides a breakdown of the 1953 operating costs of Canadian chain combination stores in considerable detail. I don't think it is necessary for me to read it down; you all have it and if you want to question me on it later ---

THE CHAIRMAN: The net operating profit, is that --

MR. STEINBERG: The net operating profit is the net before income tax.

In this context, let us define fixed costs to include occupancy, taxes, licenses, insurance and depreciation, exclusive of income tax. Fixed costs are those which remain constant as a total over a considerable range of sales; variable costs include all other items (variable costs are those which vary directly with changing sales). In other words, the higher the volume, the tendency is that it brings down your operating costs which means greater productivity from your people. In 1953, fixed and variable costs formed

1.87 percent and 11.39 percent respectively of total sales of chain food stores. Taking into consideration different accounting practices that may exist between different firms, I would say that this general breakdown reflects quite closely our own experience.

Accounting practices -- I believe that many chains operate on the basis that anything that comes in, comes to a central warehouse. The handling cost is added to the invoice cost and thereby doesn't truly reflect the distributing costs. That is not one of our practices, but in this way there might be a slight variance.

Operating costs of food chains in the United States are similar to ours and they appear to be increasing. The Super Market Institute, a trade association research agency in the United States, annually collects operating results statistics from a representative sample of American supermarkets. According to their investigations, operating expenses of supermarkets have risen steadily for the past seven years. The average American chain today operates on a gross margin close to 18 percent.

I just wish to point out that the figure on page 2 of 16.5 percent for Canadian food chains is not extended to this latest figure that we have on the American chains and therefore it is not a true comparison. In other words, I believe ours in Canada are higher today than what they were in 1953.

Today, labour costs are by far the most important single item in the operating expenses of chain

food stores. In the United States, payroll expenses of the average chain usually exceed 9 percent of sales -- according to the Harvard Bureau of Business Research, the ratio calculated from data provided by over 50 firms. When I speak of 50 firms, I am referring to 50 large supermarket chains. It was 9.63 percent in the second quarter of 1955. Among Canadian food chains, wages and salaries generally constitute between 7 percent and 8 percent of the total sales. Now, although this is much lower than in any other branch of retailing (according to the Dominion Bureau of Statistics, labour costs in 1953 were 12.9 percent, 13.3 percent and 17.5 percent of chain women's clothing stores, chain drug stores and chain variety stores respectively), and even though we have made great strides towards increasing labour productivity, we hope to be able to continue reducing these costs.

Now, what I am pointing out is this, that while the Canadian food chains' salaries run between 7 and 8 percent, we feel that we can better that cost and I just make the comparison as it applies to other lines of the industry, such as clothing and drug, but the food chain costs for labour are considerably lower because they use self-service to a greater degree than they do in these other lines.

Between 1950 and 1955, Steinberg's raised its annual sales per man-hour by more than 35 percent, and that is a continuing trend.

Gentlemen, in an industry as highly competitive as ours, there is tremendous pressure to keep

costs down and our efforts have taken many different forms. We have attempted to build stores that could operate at maximum efficiency and we have tried to take advantage of the economies associated with large scale operations. Savings are most important with regard to working capital and spreading of overhead costs; the rate of stock turnover has been greatly increased (we have raised our annual store and warehouse turnover 13 percent in five years), and a larger volume of goods can be handled per unit of land and building investment than ever before. Annual turnover in 1951 was 15.3 times and in 1955 it has gone up to 17.3 times. I think we do a better job than that at store level but because of the climatic conditions and seasonal production by a lot of processors you are confronted with buying seasonal packs and many have not got the storing facilities and you have got to buy almost a year's supply of certain goods at the one time, which has its tendency to add to cost. The aim is to try to keep a continuous flow from processor to consumer and the more evenly we can maintain that flow the lower the operating cost of distribution you will get. That is our endeavour.

Within the retail store itself, all sorts of mechanical equipment have been introduced, from conveyors handling goods through the various processes of inspecting, marking and transport to the sales floor, as well as in the assembly of goods in the shipping room and sorting for delivery to the customer. The whole process whereby goods from point of production to point of sales have been streamlined and integrated.

We have in Montreal; and it is especially true of Montreal where a supermarket renders delivery service. I don't think that takes place in any other part of Canada or the United States. This is an added cost but it is incorporated in our operating cost. We could manage without delivery and probably be able to reduce our cost but at the same time we may not do nearly the volume of business we now have and as a result we maintain that aspect of the old-time service store -- rendering the customer delivery service.

THE CHAIRMAN: Do your particular stores carry on a delivery service?

MR. STEINBERG: I would say 20 to 25 percent of our business is done through delivery.

Retailers and others have long recognized that being at the right location is important in determining the success of a store. Steinberg's has set up a continuing research programme in an attempt to locate stores on a more efficient basis and we believe that we have made significant savings for the general consumer in terms of both time and money. Now, that is true not only at Steinberg's but I believe all large chains have a research or real estate department that continually makes studies of population trends, buying power and searching for locations to further their business.

Steinberg's has also initiated a non-profit co-operative research programme with manufacturers that covers all phases of the supermarket operation affecting the manufacturer, supplier, retailer and consumer. In fact, consumer wants,

opinions, likes and dislikes are being sought out and acted upon as never before; through our research and merchandising experience we have passed on to the manufacturer the knowledge of consumer food requirements and preferences, with the result that the type of goods now produced are much more in line with what people actually wish to buy. We feel that we have helped the manufacturer eliminate some of the costly maladjustments that may occur between production and consumption.

To a great extent processors and manufacturers are guided by advertising agencies and package designers in trying to develop their containers to stand out, but they find when they put them on the shelves they are difficult to handle, a lot of it has a lot of breakage, a lot of them put sizes which are not in line with what the customer wants to buy in that particular product, and as a result we find in our stores that a lot of our managers, grocery managers, don't order the item that he has trouble with. So the man goes to great expense to prepare and package a product with the result that the product can't sell unless it is in front of the customer on the shelves. We help in this way too, that we indicate to him the sales flow by records and they gear their production in terms of how they produce, the number of people they engage, and so their production is more in keeping with the requirement for an even flow of sales and thereby keep the cost down. Recently I had a co-operative group who have just built a poultry killing station -- that is, they produce the

birds, kill them, dress them and package them ready for selling, like I was telling you about these turkeys and he was down in the office and he said: "Well I can produce what you are ordering in an hour's time. I can't afford to keep people just for an hour's work". So we explained to them that our method of buying is ordering the poultry for about eleven weeks in advance so that the man who is going to produce that poultry knows our requirements, and knowing our requirements, gears his production accordingly. I said, "If we are going to do business with you it is only a question of meeting of minds, explaining to you how we run our business, when the peak periods are, and you then, in turn, can gear your production accordingly. We keep you fully informed and thereby you don't run into producing a lot of stuff or dumping it on the market, because you have got to do away with it once you have it, and you can have a very efficient operating cost and we in turn know your capacity to supply us and we, in turn, can go and do a good marketing job, reflecting the price and the price at which the customer would be most tempted to buy your product". That is the way we try to work it back with every one of our sources of supply and then we go further than that with these studies we make in research and get customer preferences and indicate to these suppliers what customers like or dislike about their product. To this extent I think we have saved a lot of money to the industry, both to ourselves and our suppliers.

What about the future? What lies ahead

in food distribution? Gentlemen, the food industry is due for another era of radical changes of which the two most significant may lie in the fields of automation and food preservation.

We believe great strides will be made in the electronization of food distribution. The spur to this development is the constant need to reduce operating costs, control expenses, and increase efficiency. While electronic machines are now available for data processing, we foresee that low cost equipment will in the future be in general use for improved billing, inventory control and other functions. Manual tasks will in some future day be eliminated to a large extent through the use in the warehouse of electronic equipment to achieve automatic checking and shipping.

We sincerely believe that today we are semi-automatic having all this mechanical equipment, but the time will come when a lot of this assembling and selection will be done electronically. There will be a belt going down the warehouses, pushing buttons, and the goods will just fall on that belt and come right down to the shipping dock. I think that will reduce very considerably the operating cost of assembling the goods at the warehouse.

We hope to apply electronic principles and techniques to problems on the retail selling floor itself. Let us take the "check-out" gate as an illustration. The check-out gate is not only very costly but it also tends to be a bottleneck in store operations. One person can handle only a limited

number of prices and punch a limited number of keys. The result is the all too familiar long queue. I have no doubt that new methods of checking out the customers will be conceived. Now, they have developed some check-out counters today that are fully -- I would say electronic in the sense that it is a moving belt and they have sort of a magic eye, as the items go by it registers them. Of course this is very costly and it is in its experimental stage, but very definitely in the not too distant future, this will just go over on a belt and will be registered by a photo-cell or something and by the time it is all done the machine will automatically stop and there is your ticket.

They had developed a scale at the last convention I saw which is, I would say, a miracle scale. The clerk puts whatever the commodity might be, on that scale and it prints the product, the price per pound, the cost, everything automatically in just the flash of a second, and if there is anything wrong, it signals a red light so the girl can't possibly make a mistake. It computes to, if it is 44.9 it drops it, and if it 45.1 or 45.0, brings it out to the full cent. And speed -- it is the most amazing thing; of course, instead of costing \$200 it costs \$4,000 for a scale. But it is really a miracle scale. They had no trouble getting business, I guess it is just a problem of getting the scales out.

Experiments are now under way for the preservation of food through the use of atomic rays. It may well be that 25 years from today perishable

foods will be sterilized so that they will stay fresh for weeks and even months without refrigeration. This will bring about revolutionary changes in food processing and merchandising. An important advancement will be made in the preparation of food at the packing and supplier level where entire meals will be prepared before shipping to the supermarket.

While that is a trend that is taking place right now, tremendous experimentation is going on with sterilization. They can do that very thing right today except that it has an influence on flavour. They can sterilize a package of meat now and put it on the shelf and let it stay there for months, and the quality of the meat won't deteriorate except that they haven't got over the problem of flavour. When that comes about we will save hundreds of thousands of dollars in mechanical equipment, that is refrigerating equipment that we now have in our stores.

Food supermarkets develop along lines that are based fundamentally upon the consumer's desires for lower costs, greater ease, convenience, and variety in all phases of food buying. The customer wants to do all her household shopping under one roof and to meet this demand stores are steadily increasing in size. In 1930 the average Steinberg's store measured 3,000 square feet -- today the average size is close to 25,000 square feet.

In our search for a method of providing food at lower costs we have found that many non-food items readily lend themselves to supermarket operations.

This is especially true of drug items, household wares and many soft goods. The housing of these additional items calls for ever larger stores and there is no doubt that this is a definite trend. Some of our supermarkets with floor areas of approximately 45,000 square feet are amongst the largest on the continent. And yet with all this space, we find ourselves hard pressed to accommodate all the items we should like to carry.

Now, while the average has been 25,000 square feet, our smallest store that we put up today would be greater than 25,000 square feet. I think that our average stores will be more like 35,000 square feet than the 25,000 square feet that we now have.

One of the most striking developments of the post-war period has been the mushrooming of suburban civilization. As our communities develop and industry expands, the city thrusts outward into the outlying areas, and prosperous new housing developments arise on every side. These new homes attract the "cream" of the population from the older, more congested city areas to the handsome suburban communities with their many advantages for family living. It is this vast trend, now firmly established, and still continuing, that has created the basis for the modern shopping centre and reversed the pattern of family buying -- away from the traffic-congested areas, and out to the new neighbourhood. Of course, one of the great advantages of a shopping centre is that the cost of the parking, the lighting and the services to the customer are shared by all of the tenants and the

advertising and attracting people to the centre and the lower cost of service when you go to these out-lying areas. So shopping centres, I think, have tended to help reduce the cost of distribution of foods and all other items that the housewife needs.

Every family need is provided for in the shopping centre, in a convenient, concentrated, "one-stop" location. From food to furnishings, from handbags to haircuts, from bicycles to bank loans -- everything is within easy reach of the whole family. And because the family car finds free, easy, on-the-premises parking, the whole family comes to market. Scientific planning and store layout make shopping a pleasure.

The shopping centre has set the stage for successful retailing on a new and higher level. Steinberg's has watched the development carefully and has attempted to keep pace with it. We presently have stores in eight centres and we plan to have nearly twenty more within the next three years. That is in centres.

We believe that a supermarket must essentially relate itself to its environment and be an asset to the community. Furthermore, we believe that a well-designed supermarket costs no more than a poorly designed one. From the planning to the land to the layout of the store operational areas; the engineering of the structure; the design of the exterior and interior of the store; the planning of the sales floor and the incorporation of customer services; all are based on our sincere effort to provide "consumer satisfaction"

at the lowest cost.

We see, therefore, that there are clear and continuing opportunities for reducing the costs of supermarket operations. Increased efficiency and lowered unit distribution costs are to be desired from every standpoint: that of the individual business and of business as a whole. Greater efficiency in food distribution, as anywhere else in our economy paves the way for increases in our standard of living.

The food market is closely related to population and any forecast as to the future of the market for food would have to be based on an estimate of Canada's future population. As population increases, food consumption increases; as population declines, food consumption declines. What does the future hold for us with regard to the fabulous market for food?

It has been estimated that by 1967, Canada's 100th birthday, we will have a population of $20\frac{1}{2}$ millions, up by 33 percent from 1955; by 1967 we will have a food market of close to 3 billion dollars. The population estimates are based upon a special study made by General Electric in March 1953. The food estimates are our own.

MR. GRAUER: What is the present figure to set against the \$3 billion?

MR. STEINBERG: Just a bit over \$2 billion, I believe.

This appraisal of Canada's future is based on the investment of millions by far-sighted developers in this country's future. In Halifax, a 30 million dollar oil refinery is under construction. The

St. Lawrence Seaway which will open the St. Lawrence River to 85 percent of the world's shipping represents an investment in our future of over 281 millions. In our own province, 25 millions have been invested in Quebec-Labrador iron ore. Some time ago, there was a startling announcement by The British Aluminum Company that a huge aluminum plant would be built at Baie Comeau and would provide employment for over 2,000 people. In British Columbia, the fabulous hydro and aluminum development of Kitimat represents an investment of $1\frac{1}{2}$ billion dollars.

The food processing industry has been investing to the tune of 115 million dollars a year, year after year, in plant expansion and modernization. These are but a few of the many examples of the unbounded confidence being shown in our country.

But perhaps the most heartening mark of confidence is being shown by our young married couples. They have come out with the most dramatic mark of faith in our future. Our young people in 1955 produced the largest baby crop in Canadian history. These happy results of Canada's baby crop will bring joy to baby food manufacturers, diaper manufacturers and will also have a tremendous influence in other fields. As this baby crop grows up there will be a need for more schools to instruct them. As they attain maturity and marry they will cause another housing boom in the 80's. For us in the food business, it means more mouths to feed and consequently a better food market.

Steinberg's has benefited greatly from

the population growth and prosperity of our country. Twenty years ago our sales were close to 2 million dollars - by 1946 they had reached 15 millions; today our sales exceed 100 millions and we hope to double this volume in less than 10 years. Our faith in Canada's future is indicated by our programme of capital investments, nearly 30 million dollars within the next three years. In the current year, they are running 20 to 25 percent over last year, so it won't be difficult to double it in the next ten years.

In conclusion I wish to thank you for the privilege of appearing before the Commission to give you some of the Steinberg's views about food retailing.

Now, gentlemen, I am here and in no great hurry and if there are any questions I shall be glad to answer them to the best of my ability.

THE CHAIRMAN: That is a most interesting submission. The first question that occurs to me is whether the tremendous improvements in the methods used in food distribution that are being developed over the years and recently, are adaptable to other forms of merchandise, in your opinion.

MR. STEINBERG: Drug stores will very definitely be going to self-service, in fact you won't recognize a drug store, it will be more of a junior department store, and the department stores themselves, as they branch out into the suburban areas, those that are forward looking will change their method of distribution and will be what they call self-

selection; in other words, they have a clerk, but the people will get closer to the merchandise, go over to the counter, take it off, and then deliver it to a clerk in the department as against going through a check-out, but it will reduce very materially the cost of distribution and increase the sales productivity per man-hour, because the customer can always do a better selling job than the clerk, with himself -- the product and the customer.

THE CHAIRMAN: I am interested to hear that because both Mr. Woodward in Vancouver and Mr. Burton in Toronto and perhaps Mr. Dupuis in Montreal a little later on, will give us figures of the cost of distribution in retail stores, and when we think that about a quarter of the consumer's dollar goes to the cost of distribution it makes you think a bit.

MR. STEINBERG: Well, I think to a large extent -- I shouldn't be talking about department store operation -- but to a large extent what they have done is merely glorify past methods of department store operation and I think they are going to get away from that because they couldn't afford it. Competition will force them away from that. They will go to what I just pointed out to you -- everything will be set out on counters where the customer can saunter about in any department, touch and feel the merchandise properly priced, and that will reflect itself in the operating cost which in turn will reflect itself in lower prices to the consumer.

THE CHAIRMAN: I was interested also to

hear what you said about the trend towards the pre-packaging of meats. Mr. McLean of Canada Packers was talking to us on the same subject, and it will have and is having, I suppose, an important effect on his industry.

MR. STEINBERG: I believe that -- of course Swift's in the States are experimenting with packaged frozen meats and using different markets, and of course the price at this stage is very high. In other words, they are not subsidizing it and they are charging for all the experimentation that is going on, but there is no question there is no point to paying handling costs and re-handling costs on fat and bones that the customer has no use for. They may as well eliminate it right at the packing house level and thereby it would definitely reduce the cost of distribution of meats very markedly. Self-service has reduced it very considerably. In the early stages of self-service meats, the meat cutters or butchers were very much against it. Today I doubt if any one of them working in the self-service meat would ever want to go back to customer service, but at first they were doubtful. You have got to picture a store during the busy period where hundreds of customers are serving themselves and you try to imagine customers waiting in a line to be served. It has done away with a lot of other things where the customer was, I would say "soft-soaped". Usually a meat man serving the customer would sell her an item that had been over-ordered or that he was over-supplied with, somewhere in the process of distribution or production, and he would say, "I got a wonderful" -- the very thing that

he had made a mistake and bought too much of, and give her a good story and she would buy it. Today there is no such thing; you buy what you want, you take it home; you are the final judge. If you like it, you will shop it again. If you don't, well you just won't. You have got to stand and fall by the quality in the package.

A man now is engaged in efficient operation.

THE CHAIRMAN: If you do make the occasional mistake, what do you do?

MR. STEINBERG: Well, here is the way it is done, as I pointed out to you, and how you keep records. Today, in the packaging operation they really produce about 75 percent of the requirements of the different cuts and keep records. They never make enough for a full day's requirements, and then just fill in. Formerly they kept no records. Today everything is done with records, and immediately if something doesn't sell one day, the tendency is to cut down right away before you run into a surplus. You become very much more efficient. It is a controlled thing. If it comes an hour later, it doesn't matter. But in the close service, you can only serve so many people at the one time.

I might point out that the supermarket of the kind that we are turning out today and the kind we are envisioning represents an investment of anywhere between three-quarters of a million dollars to a million dollars, in the unit. And of course, the equipment that makes it possible to have the fresh product, either in the frozen or refrigerated form, represents an investment of about 250 to 300 thousand dollars. That is in the

total amount, in the million, but so much is going to a better standard of living today. A person can buy almost anything she wants - if she wants a chicken pot pie, takes it home -- in five minutes there it is. Otherwise, you have to get a chicken and clean it and cook it. Of course, the very fact that she is going to enjoy it and keeps buying it, is the thing that we want.

The other thing that adds to the cost of food distribution today is that at one time no parking lots were provided. Now you have to provide an ample parking lot for the customer and variety is what the customer wants to a great degree and the most important thing to a supermarket is customer traffic. Of course if you had fewer lines you would get better turnover for each commodity and you would reduce your operating cost to some extent but the most important thing, as I say, is to get as many customers into your store as you possibly can and give them that wide choice that attracts them. So it is the convenience, it is the service and it is the variety and the spaciousness of luxurious stores, that is what they want today and that is what you give them.

THE CHAIRMAN: On your figures that a store costs roughly a million dollars, how many people would you employ in a store that size?

MR. STEINBERG: 100 to 125 people

THE CHAIRMAN: Is that all?

MR. STEINBERG: Well, quite a number of the people we employ is at the check-out, you know, helping the customer carry out the parcels, bagging it

for her, taking the pressure off during busy periods -- but the aim of the industry is to get as much of the processing and packaging done right at the producers' level, in other words, getting fruits and vegetables always closer to the consumer package. At one time when you bought a case of oranges it was a 70 pound wooden box, today they come in a 35 pound carton, very easy to handle. And more packaged foods are in consumer sized packages so she can come in and that package is ready; it is just transferred from the processor, right from the source, California or anywhere else, comes in carload lots, is handled in lift trucks and skids into big coolers two and three times the size of this room, from which it is put on skids right on to trailers and the stores are designed to be platform height so when they back up you take off the goods right on skids into big coolers and then out to the refrigerator counter, and the customer takes that package and it is all finished with -- all priced and everything else. And the more processing that is eliminated, the closer to the producer, so is the cost of distribution reduced and the customer likes it. She gets a controlled quality; it is all packaged beautifully; she sees what she wants and the amounts that she wants.

MR. GRAUER: Mr. Steinberg, in the very bright future that so many people expect is before us in the next 25 years, the cities are obviously going to grow very rapidly, what happens in the supermarket, do you just push out to farther areas, leaving the supermarkets at present, or what do you envisage on that point?

MR. STEINBERG: We have found that what happens in the congested areas of the cities where we now have stores, they seem to hold their volume, but of course they hold it because of the fact that the customer buys more in the same store. There is a greater variety of merchandise and so far we have found that there is very little change in the existing stores, they hold the volume. But when you go out to the outlying areas as against an established store we will say that is in the centre of the city, doing business for ten years and developing a clientele over that period -- you go out to an outlying area and as you open, if it is a shopping centre or a good location, you do probably more business immediately you open than you did over the ten year development of the older store. In other words, as you open in these outlying areas you have got a successful operation as long as it has been properly conceived to start with. That is the great advantage.

MR. GRAUER: Over a period of years do you visualize any change much in the central part of the city. It has been suggested, for instance that ---

MR. STEINBERG: The decline will be very, very slow.

MR. GRAUER: You expect a decline, do you?

MR. STEINBERG: Yes, I do, it will be slow, very slow.

MR. GRAUER: Some people talk in terms of being able to purify the air in the centre of the city so it will be as good as 20 miles out or 30 miles out by building up great green belts.

MR. STEINBERG: I find that a lot of firms in the retail, distributive field are spending a lot of money in enlarging their existing stores and I think that they are making a mistake. I think they would be better advised to spend more money or that same money just to maintain their standard, to move out to the outlying areas. But I believe there is going to be a definite need within the cities themselves. I don't think that they will grow as rapidly, but they will hold the volume they are now holding providing they modernize and become more efficient -- in other words, cut out costly handling charges. You can just picture what it is going to cost if they continue to deliver goods from the centre of the city, it will make it prohibitive to start with. If you bought an item in a store downtown and had it sent to your home, by the time it got there the profit would have been consumed.

MR. GRAUER: The suburban supermarkets are largely dependent upon the privately-owned automobile, aren't they?

MR. STEINBERG: Well, when you say they are dependent upon them, I would say that a big part of the business is done as a result of the automobile but the reason they go out there and provide this parking rather than just get into a little village sort of set up, you know, the hub of any little community, is because the people have cars and they want to use those cars and they want an excuse to drive five or ten minutes to go somewhere. Because you can dot these places with a lot of small stores, you know, a smaller perimeter, but

the fact is you have a car and you want to have an excuse that you need that car and it is essential to you, so you go for a little ride, and look at the money I save!

THE CHAIRMAN: I guess that accounts for the fact that 85 percent of the cars are used on business trips.

MR. STEINBERG: I was at a convention in California just last month and while we were going through the desert I saw some of these places where Indians are living, these mud huts and everything else, but wherever you go you can see a beautiful car no matter how shabby the home is. We saw homes that were all ready to fall apart but we saw a good looking car right beside it.

MR. GRAUER: As a result of these improvements that you have outlined, do you anticipate any trend toward declining prices to the consumer, or do you think there will be offsetting factors which will keep prices up?

MR. STEINBERG: I feel very definitely that all these modern methods of handling and packaging and distribution has tremendously increased the productivity of whether it is the plant or the people employed and to some extent that is offset by good earnings and higher salaries. People that they employ are receiving benefits that they never at one time envisioned and that makes it impossible. In other words, the very people who are employed are partaking in the prosperity of the country; it reflects itself in the income of the people who are employed.

MR. GRAUER: You don't expect any reversal of trend in the price field then?

MR. STEINBERG: Prices, you see, to a great extent are governed -- when you are talking about food you are subject to climate conditions. In other words, if they have a freeze in Florida, the price of the man who has got oranges, which it cost him no more to produce, will go up, because the market permits him to take advantage. In other words, even if there is a freeze out in California and Florida has a bumper crop, the price will go up, because the demand for the product is that much greater and I don't think that the distributor cares very much when a man has a bumper crop and he can't market it at a profit, it is no concern of the distributor. He is buying according to the supply. So in the food business, there are factors other than maybe in other industry and the industry to a great extent, caters to the wishes of the consumer. If you want your gear shift on the dashboard instead of on the steering wheel and that will make you buy the car, that is where it is going to be.

MR. GUSHUE: Mr. Steinberg, has the average saving for the self-service as against customer service ever been worked out?

MR. STEINBERG: Yes, I think studies have been made and in terms of distribution, I think the savings were about 25 percent.

MR. GUSHUE: That could not be done otherwise?

MR. STEINBERG: The cost would be prohibitive if you endeavoured to do what you are doing on

the basis that you are doing it at that money, the scale and type of merchandise -- you couldn't afford to render clerk service. Give customers beautiful stores, give them great variety, give them refrigerated goods, give them service, give them out-of-season goods at all times because the customer does a great part of the work herself. She comes in there, wheels a buggy around, selects everything, it is all prepared, so she eats better, enjoys it more --

MR. GUSHUE: Do you find that when the husband accompanies his wife, they buy more?

MR. STEINBERG: Very definitely.

MR. GUSHUE: I find that too.

MR. STEINBERG: Very definitely. Before the husband complained about how much she spent but when he goes along, she spends a lot more.

THE CHAIRMAN: Is it true as we read in the New Yorker that the husband always upsets the buggy?

MR. STEWART: What is going to happen to store hours?

MR. STEINBERG: The trend being favoured is longer store hours, that is not longer hours, but evening openings. In other words, we favour very much where we can provide the parking three nights a week, and of course you understand why that is, the car -- young people today would prefer to go to work and have all the luxuries and conveniences and that makes it if they are working, they like to be able to go out in the evening and shop. And where we provide in these shopping centres, evening shopping, we do a land office

business. And also what it does, it makes it possible for people who live in outlying areas to have the facilities that are enjoyed by people who live in more densely populated areas. That is a very amazing experience; first when you open these stores in outlying^{areas} and when I say outlying I am talking about outside the congested areas of the city -- it is surprising the tremendous business they do because they are drawing people from five and ten miles away who didn't have the opportunity of having beautiful stores close enough to them, because they wouldn't sustain themselves, but they have a definite preference for evening shopping and when we visit these shopping centres in the evening, whether it is a Tuesday night or a Thursday night, you would think it was a Saturday years ago, it is jam-packed with cars and people shopping. It is impossible to serve all of the people if you didn't have evening shopping; you could never begin to serve all the people who would like to shop -- not that type of shopping -- in the course of the day. Then there is another problem that people are confronted with, and that is, there is a definite influence on pay days or pay weeks, the 15th and the 1st, over the week that they don't receive their pay. People who get their pay on Friday night couldn't all hope to be able to shop, so they break it up into Friday night, or Thursday night or Tuesday night. So evenings are a definite benefit, and it makes all this capital investment more productive, makes the people more productive. The employees don't work any longer hours. At one time they thought they would control how

much people would work by doubling the hours which a store might be open but that no longer holds true. So if a man works a 40-hour or 42-hour week, he works it whether the store is open in the evenings or not. Now, in many cases they get extra pay for evening work, if a fellow gets the evening work, why he gets extra pay, but the demand for people is such that they are well able to make sure that they are well compensated for anything that they feel they are being deprived of. So a man will work any hours providing he is properly compensated.

THE CHAIRMAN: Well, thank you, Mr. Steinberg for a very interesting submission and a very helpful one too. We are most grateful to you.

Well, Mr. Dupuis, we will mark your submission Exhibit 191 for our records.

(Page 6700 follows)

Le vingt-et unième jour de février, l'an mil neuf cent cinquante-six.

Me Raymond Dupuis, c. r.

Merci, monsieur le Président.

Mémoire de la maison Dupuis Frères Limitée à la Commission Royale d'Enquête sur les Perspectives Economiques du Canada.

A la page 1, nous avons le sommaire.

A la page 2, nous lisons ceci :

Monsieur W. L. Gordon, Président,
Commission Royale d'Enquête sur les
Perspectives Economiques du Canada,
Case Postale 1173,
Montréal.

Cher monsieur,

La maison Dupuis Frères, Limitée, est heureuse de venir exposer devant votre Commission ce qu'elle pense de l'avenir commercial de l'Est de Montréal.

Le sujet est traité en toute objectivité, sans référence à l'intérêt de la Maison en particulier, sur un plan strictement canadien, dans la mesure où il pose certains problèmes de collaboration, de liberté, de bien-être et de prospérité en faveur de la collectivité du Canada.

Au cours du texte, il est tenu compte autant que

possible de l'un ou de l'autre des trois problèmes que vous nous avez suggéré de traiter: coût de la distribution, vente de produits canadiens, décentralisation des industries manufacturières.

La maison Dupuis Frères, Limitée, apprécie l'occasion que vous lui avez donnée d'exprimer son point de vue devant votre Commission et de contribuer ainsi au succès de votre enquête. ¹¹

Il y a quelques notes, monsieur le Président, aux pages 3 et 4 du mémoire que je me propose de passer, parce qu'ensuite je parlerai de Dupuis & Frères; et nous arrivons à l'introduction.

¹¹ Position de principe et objet de l'étude

L'espoir que nous avons dans le progrès économique du Canada est fondé sur l'abondance et la diversité de nos ressources naturelles, la disponibilité de capitaux, une main-d'oeuvre croissante, laborieuse et suffisamment spécialisée. La conjugaison de ces facteurs doit se faire sur une base de collaboration rationnelle et dynamique, en vue de la mise en valeur du milieu canadien. Sans doute la politique économique, monétaire et fiscale du gouvernement central est-elle indispensable pour atteindre cet objectif, mais elle ne peut être efficace sans la participation étroite des institutions locales et des chefs d'entreprise. De plus, comme la prospérité et le bien-être du Canada ne peuvent résulter que de la prospérité et du bien-être de chacune des régions et de chacun des individus, il importe que la politique économique

nationale s'inspire des besoins généraux et particuliers des diverses localités du pays et qu'elle leur apporte le maximum de satisfaction. Or, pour répondre à ces besoins, il n'est pas nécessaire d'insister sur le fait qu'il faut les bien connaître dans leur contexte concret. C'est dans cet esprit que nous aurions aimé à faire ressortir la contribution de tout Montréal au progrès économique du Canada.

Montréal est, en effet, la ville la mieux située de la province de Québec pour ce qui est des relations économiques et commerciales avec l'intérieur du continent en général et du Canada en particulier. Aussi, dès que le chenal du fleuve Saint-Laurent fut approfondi et que la voie ferrée et les canaux ouvrirent la voie de l'Ouest, elle est devenue la métropole du trafic canadien, le grand port, le centre financier en même temps que la grande ville commerciale et industrielle. Elle occupe ces sommets depuis environ un siècle. A elle seule elle réunit 10 pour cent de la population du pays avec les obligations et le prestige que cette situation lui confère.

Quelques études de portée globale existent déjà sur le Grand-Montréal et sur certains aspects particuliers de la ville proprement dite. Mais à cause même de leur caractère trop général, elles dissimulent la vraie physionomie de certains secteurs que nous nous proposons de mettre ici sous un éclairage plus net. Nous avons donc pensé faire oeuvre constructive en cherchant à exposer devant votre Commission L'Avenir commercial de l'Est de Montréal. Nous avons conscience d'apporter devant vous un élément particulier qui, dans les

cadres du mandat de votre Commission, vous aidera peut-être à établir les perspectives économiques du Canada.

Caractéristiques physiques de l'Est de Montréal.

L'Est de Montréal couvre d'abord les divisions administratives de la métropole comprises à partir de la rue Saint-Laurent, soit 21 des 35 quartiers. Nous nous attarderons parfois à ceux qui constituent plus particulièrement l'Est central commercial. Comme les municipalités environnantes de l'Est participent inévitablement à la vie de la grande ville, nous les englobons dans notre étude. Enfin, nous avons cru nécessaire d'inclure aussi les cités et villes sises sur la rive sud du Saint-Laurent qui, grâce aux deux ponts du fleuve, le pont Victoria mais le pont Jacques-Cartier en particulier, font au point de vue activité économique, partie intégrante de l'agglomération : Montréal-Sud, Longueuil, Jacques-Cartier, Saint-Lambert, Mackayville, Prévile, Greenfield Park et Ville Lemoyne.

Les caractéristiques physiques de l'Est de Montréal ainsi définies tiennent évidemment à celles du Grand-Montréal tout entier. L'avantage de la situation géographique du grand tout apparaît nettement. Cette vaste agglomération jouit d'une heureuse confluence de cours d'eau, d'une non moins intéressante concentration de routes qui s'ouvrent dans toutes les directions vers la riche plaine au coeur de laquelle la ville est installée. On ne peut mieux décrire les remarquables voies naturelles de communications que par le passage suivant :

“ Quatre grands cours d'eau entrecroisent leurs directions aux abords de Montréal. C'est d'abord le haut Saint-Laurent, émissaire des Grands Lacs, cette Méditerranée américaine qui s'enfonce dans l'intérieur des terres jusqu'à 650 milles de la mer. Puis c'est la rivière Ottawa, qui dans la même direction évite le détour par le lac Erié, car, par son affluent la Mattawa, le lac Nipissing et la French River, elle permet l'accès direct au lac Huron; l'Ottawa a toujours été la voie des trappeurs de fourrures. Ainsi par le haut Saint-Laurent et l'Ottawa, Montréal se trouve le débouché naturel de toute une vaste étendue du continent nord-américain. Or ce débouché menait à la mer par une avenue grandiose, celle du bas Saint-Laurent. Sur la plus grande partie de son parcours, il s'agit d'un vrai bras de mer, puisque la marée fait sentir ses effets jusqu'aux abords du lac Saint-Pierre. Ainsi Montréal, porte du continent, ouvre sur l'océan, et c'est là que réside toute la magnificence de sa situation. Enfin, elle dispose d'une quatrième ligne d'eau, étirée cette fois droit au sud. Il s'agit de la belle rivière Richelieu, qui conduit à la spacieuse nappe d'eau du Lac Champlain, longue de 95 milles; à l'extrémité méridionale, une ample dépression permet d'atteindre les eaux supérieures de l'Hudson, ouvrant ainsi une voie vers New York. Cette quatrième branche complète à merveille l'étoile de lignes d'eau qui s'irradie autour de Montréal. ”

Notons en passant, que la ville occupe la même latitude que Portland dans l'Orégon, que Lyon en France, que Milan en Italie.

La présence de la montagne (Mont-Royal) a exercé une influence considérable dans l'édification du relief sur lequel la ville s'est bâtie, mais en dépit des avantages qu'elle présente dans le paysage et la vie récréative de la population, cette élévation n'en constitue pas moins un obstacle majeur pour le trafic urbain, notamment dans l'Ouest. - Ici, j'emploie l'Ouest avec un 'O' majuscule et

l'Est avec un "E" majuscule, c'est la partie ouest de Montréal et la partie est de Montréal, - L'Est est plutôt favorisé à ce point de vue. Ainsi ne voit-on pas ici de goulot d'étranglement comme il s'en trouve entre les avenues des Pons, - Pine Avenue et Mont-Royal, le secteur le plus achalandé de la ville, puisqu'il y passe 6,400 véhicules à l'heure de pointe. L'engorgement autour de la montagne s'intensifie de plus en plus. La pince formée par les avenues des Pins, Cedar et chemin de la Côte-des-Neiges, d'une part, et l'avenue du Parc, chemin de la Côte-Sainte-Catherine et Maplewood, d'autre part, représente un volume horaire supérieur à 18,000 véhicules.

Libéré de cet obstacle de la montagne, l'Est se rattache, de plus, à la terre ferme par quatre ponts, deux vers le nord, un vers l'est et un vers le sud, où viennent aboutir de grandes artères à circulation relativement dense, mais beaucoup plus facile que dans l'Ouest. Ces ponts forment, il va sans dire, des noeuds de concentration du réseau routier. Le pont Jacques-Cartier, - il y en a beaucoup qui l'appellent le Harbour Bridge - est le plus important de tous avec 117,400 véhicules par fin de semaine, suivi de près par Cartierville avec 106,000. Viennent ensuite par ordre d'importance, les ponts Ahuntsic avec 96,000, le Gardeur de Repentigny avec 65,000, Honoré-Mercier avec 65,000, Galipeault avec 61,500, Victoria avec 45,600, et en dernier lieu, le pont Pie IX avec 37,000 véhicules.

Bien que la circulation, dans l'Est laisse à désirer,

sous plusieurs rapports, elle est plus rapide que dans l'Ouest en général, ce qui ouvre d'intéressantes perspectives sur le développement industriel et commercial pour les années à venir.

Quelques caractéristiques de la population.

La population actuelle de l'Est de Montréal tel que définie plus haut est d'environ 800,000 âmes, en comparaison de 736,000 en 1951 et de 622,000 en 1941. La densité est très variable suivant les quartiers. Plusieurs ont même plus de 100 personnes par acre. Il faut cependant remarquer que la densité tend à diminuer dans les quartiers les plus anciens. C'est le cas, par exemple, du quartier Crémazie où la population a diminué de 8.2% depuis 15 ans, Ste-Marie de 17%, Papineau de 8.5% et Hochelaga de 3.5%. Sur 140 subdivisions de quartiers que nous avons examinées d'après les données du dernier recensement, nous avons constaté une diminution dans 67 subdivisions par rapport au recensement précédent, en faveur des quartiers les plus récents; il y a donc augmentation dans plus de la moitié des subdivisions. La population totale de l'Est est d'environ 53% du Grand-Montréal.

Nous comptons 132,700 chefs de familles salariés ou 53% de toute la zone métropolitaine. Un peu plus de 300,000 personnes font partie de la population active, ce qui constitue la main-d'oeuvre, soit 41.2% de la population globale. Sur ce total une proportion de 7% ou 21,600 est formée d'employeurs ou travailleurs à leur propre compte; la grande partie est constituée de salariés, soit 282,500 ou 93% de toute la population active. Avec l'éducation des masses et la formation de

l'esprit d'initiative, nous prévoyons un accroissement du nombre et de la proportion des chefs d'entreprise.

La population active est répartie dans tous les genres d'occupations. A elle seule, l'industrie manufacturière occupe 84,000 hommes et femmes soit 27.8% du total de tous ceux qui déclarent un emploi régulier; en joignant à ces effectifs les personnes qui exercent l'un ou l'autre des nombreux métiers de la construction, on constate que l'industrie fait vivre 110,000 travailleurs ou 36.3% du contingent actif de l'Est de la ville, en comparaison de 23.5% pour le reste du **Grand-Montréal**. Viennent ensuite les emplois dans les bureaux avec 13.6% de la population active, les transports et les communications avec 9.3%, le commerce et la finance avec 7.7%. Nous avons préparé un tableau qui montre l'importance relative de ces grandes catégories d'occupation, dans la partie que nous étudions par comparaison avec l'Ouest de la ville et l'ensemble de la zone métropolitaine.

Répartition de la population totale et de la main-d'oeuvre entre l'Est et l'Ouest de Montréal au dernier recensement :

Première colonne : Est de Montréal; deuxième colonne : Est de Montréal et sud-est, c'est-à-dire les municipalités de Wakeville, Ville Mont-Royal, Greenfieldbrook, Longueuil, St-Lambert, Jacques-Cartier; et aussi le Grand-Montréal, ce sont les quartiers de l'Ouest; et tout le Grand-Montréal à la dernière colonne.

	Est de l'île de Montréal	Est de l'île de Montréal et sud-est	Ouest du Grand- Montréal	Tout le Grand- Montréal
Population totale	675,273	735,710	659,290	1,395,000
Main-d'oeuvre	281,457	302,819	286,332	589,151
	41.7%	41.2%	43.3%	42.3%

Occupations en pourcentage de la main-d'oeuvre

Propriété et administration	6.0	6.1	11.7	8.9
Professions	6.2	6.2	11.6	8.8
Bureaux	13.6	13.6	18.6	16.0
Fabrication	28.0	27.8	19.3	23.7
Construction	8.4	8.5	4.2	6.4
Transports et communications	9.2	9.3	7.3	8.3
Commerce et finance	7.7	7.7	8.5	8.1
Manoeuvres et autres occupations primaires	<u>20.7</u>	<u>20.8</u>	<u>18.7</u>	<u>19.8</u>
	100.0	100.0	100.0	100.0

D'après cette compilation, plus de 53% de la population de l'est vit de l'industrie manufacturière, des transports et communications ou du commerce et de la finance, à rapprocher de 39% pour la population de l'Ouest; on trouve, par contre, dans l'Ouest deux fois plus de personnes dans les professions et l'administration que dans l'Est. Telle est la plus importante caractéristique de l'activité

humaine dans la région que nous étudions. On voit bien comment toute politique centrale et locale de nature à influencer ces genres d'activité peut avoir de graves répercussions sur la vie des travailleurs et de ceux qui les embauchent.

Quelques caractéristiques du logement.

Bien que l'activité ait été intense depuis une dizaine d'années dans la construction d'habitations à Montréal et surtout dans la banlieue, la plupart des chefs de familles ne sont pas propriétaires du logement qu'ils habitent, même si nous observons beaucoup d'amélioration depuis 1946. Cette situation est surtout frappante dans l'Est de la ville. Sur 15 quartiers dont nous avons pu examiner le mode d'occupation des maisons, neuf comptent plus de 90% de leurs logements habités par des locataires, en comparaison de 83% pour la cité proprement dite et de 76% pour le Grand Montréal. Cet état de chose contraste avec 39% pour Saint-Lambert, sur la rive sud du fleuve, et avec 29% pour Ville Mont-Royal, dans l'ouest de la métropole.

En comparant la situation dans 11 villes canadiennes, nous constatons que le cas de Montréal est très particulier.

Pourcentage des logements occupés par des propriétaires
et pourcentage des logements occupés par des locataires.

	% de logements occupés par propriétaires	% de logements occupés par locataires
MONTREAL	24	76
Québec	36	64

St-John, N. B.	37	63
Ottawa	45	55
Halifax	55	45
Régina-Saskatoon	57	43
Winnipeg	61	39
Calgary-Edmonton	62	38
Vancouver	68	32
Victoria	69	31
Toronto	70	30

L'état particulier de Montréal s'explique de plusieurs façons qu'il n'est pas opportun d'analyser en détail ici. Nous pouvons sans doute attribuer le fait global à une mentalité particulière de la population, mais il faudrait surtout tenir compte du coût de la propriété au regard du pouvoir d'achat et des charges nombreuses des chefs de familles, c'est-à-dire des difficultés de financement d'une maison pour un grand nombre de Montréalais à revenus modiques.

Ce qui est plus grave, à notre point de vue, est l'encombrement et l'insalubrité des logements déjà habités dans plusieurs quartiers. On a évalué à 25% la proportion de logements encombrés et insalubres à Montréal contre 12% à Toronto, ce qui est particulièrement le cas dans les quartiers anciens du centre et de l'Est de la ville. Les conséquences sociales qui en résultent peuvent avoir de regrettables répercussions sur la vie économique de l'ensemble du pays. Nous savons, par exemple, que les zones d'habitations insalubres, souvent privées des moyens essentiels de confort, affectent la valeur immobilière des propriétés avoisinantes et rendent coûteux certains services publics.

Bref, il semble bien exister dans une partie de l'Est central de l'île de Montréal une déficience notoire dans le logement

qu'il faut corriger dès maintenant avec la coopération des intéressés d'abord, mais aussi par une politique rationnelle de l'habitation, une politique efficace et dynamique d'assainissement. Ici l'entreprise privée a certes un rôle important à jouer, mais elle ne peut tout faire seule et il faut lui faciliter la tâche et mettre à sa portée les moyens efficaces de financement et d'exécution.

Les autorités locales ont déjà mis sur pied un projet important pour l'élimination des maisons insalubres. Cependant ce projet devrait être suivi de plusieurs autres conçus et exécutés rapidement en fonction des besoins propres du milieu, toujours avec l'étroite collaboration de l'entreprise privée et des gouvernements supérieurs.

QUELQUES ASPECTS DE LA VIE ECONOMIQUE DANS L'EST.

1. La propriété foncière.

La valeur totale des terrains et immeubles, imposables ou non, situés dans les 21 quartiers qui nous intéressent ici était, d'après le rapport officiel du Service des Estimations de la Métropole en 1954-55, de \$863 millions; la valeur imposable après les exemptions atteignait \$680 millions. Si on applique à ce montant le pourcentage moyen d'augmentation de la valeur foncière résultant de la dernière évaluation, la valeur imposable des 21 quartiers approche le milliard de dollars, soit plus précisément \$932 millions. Il restait en 1955, 46,800 terrains non bâtis dans l'Est en comparaison de 58,206 pour toute la mé-

tropole, ce qui montre bien les possibilités réelles de développement dans notre région. On enregistrait 17,234 terrains non bâtis dans Ahuntsic, 16,060 dans Mercier et 5,442 dans Rosemont; on en comptait un peu plus de 1,000 dans chacun des quartiers suivants : Maisonneuve, Préfontaine, Montcalm et Villeray et beaucoup moins dans les autres quartiers; Bourget, Delorimier, Saint-Jacques, Saint-Jean-Baptiste et Saint-Michel qui ont chacun moins de cent terrains à bâtir.

2. L'industrie manufacturière.

Les quelque 80,000 personnes de l'Est de Montréal qui vivent exclusivement des manufactures ne travaillent évidemment pas toutes à proximité de leur domicile, mais, si on en juge par le nombre des établissements industriels sur place, on peut admettre que la majorité d'entre elles n'est pas obligée d'aller dans l'Ouest ou dans la banlieue pour trouver ses moyens de subsistance. D'après les données apparaissant au rôle des taxes de la ville pour la dernière année financière, le nombre de manufactures ou d'entrepôts dans les 21 quartiers de l'Est atteint 1,370 sur un total de 2,588 pour la ville proprement dite. Tous ces quartiers, sauf Lafontaine, comptent plusieurs dizaines d'établissements.

La taille des industries varie suivant les quartiers. Environ 300 établissements de l'Est de la ville ont plus de 50 employés, ils sont répartis dans tous les genres d'industrie, comme le montre le tableau suivant :

Genre d'industries dans l'Est de la ville où
l'on enregistre plus de 50 personnes par
établissement

Aliments et breuvages	44	établissements
Produits du caoutchouc	3	"
Produits du cuir	40	"
Textile (vêtements exceptés)	10	"
Vêtements (textile et fourrure)	81	"
Produits du bois	24	"
Imprimerie, publications et autres	23	"
Produits du fer et de l'acier	22	"
Matériel roulant de transport	8	"
Produits des métaux autres que le fer	6	"
Appareils et fournitures électriques	11	"
Produits minéraux non-métalliques	8	"
Produits du pétrole	4	"
Produits chimiques	5	"
Industries diverses	6	"

Il est donc important de noter que c'est dans l'Est que l'on trouve la totalité, ou à peu de chose près, des industries de produits du pétrole, du charbon et du caoutchouc; on y rencontre aussi plus de la moitié des établissements importants pour la fabrication des aliments et des breuvages, des produits du cuir et des appareils et fournitures électriques. Nous donnons, en annexe, la liste des plus importants établissements industriels de l'Est.

Il n'est évidemment pas facile de produire le chiffre précis de la valeur de la production manufacturière dans l'Est de la ville seulement. Mais en nous basant sur la nature, le nombre et le chiffre global de la production manufacturière du Grand-Montréal, nous pouvons affirmer que la valeur des produits fabriqués dans l'Est seulement de la métropole est de l'ordre de un milliard de dollars, en comparaison de \$2.2 milliards pour tout Montréal.

Enfin, l'expansion manufacturière se continue à un rythme important puisque, d'après un relevé provenant de l'Office d'Initiative Economique de la ville en date de décembre 1955, nous notons une centaine de nouvelles industries manufacturières par an dans la seule partie Est de la ville. Il surgit donc une nouvelle industrie tous les trois jours dans la seule partie que nous étudions. Cette activité soutenue n'est pas sans signification sur l'avenir économique de notre milieu et du pays en général.

3. L'activité commerciale.

Le commerce, ai-je besoin de le souligner ici, est une activité qui complète le cycle de la production des biens et des richesses en mettant à la disposition du consommateur les marchandises du producteur. Au point de vue économique, l'échange et la distribution des produits est créateur d'utilité, de valeur, donc éminemment productif. Le commerce est une sorte d'agent de liaison essentiel à l'activité économique surtout de nos jours. Il est à la production ce que le système nerveux est au corps humain: suivant les réflexes que provoque le marché, le commerce donne au mécanisme de la production un mouvement d'accélération ou de ralentissement, de prospérité ou de stagnation, de progrès ou de recul. Dans le régime économique actuel basé sur l'échange et la spécialisation, si l'intermédiaire n'existait pas, il faudrait le créer sous peine de voir le marché s'anémier, s'effriter ou même disparaître complètement. C'est donc une erreur de prétendre que la marge de bénéfice des commerçants, la publicité palpitante et

coûteuse, le nombre important d'intermédiaires, entraînent une lourde charge pour le consommateur ou une perte d'énergie ou d'utilité économique pour la nation. La structure présente du commerce n'est qu'une des conséquences naturelles et inévitables de la production en série et du désir croissant de confort et de bien-être des consommateurs.

La distribution prend ainsi une place de plus en plus prépondérante dans le mécanisme économique moderne. Sur le plan du commerce de détail, le total des ventes en 1955 a été de l'ordre de 1.4 milliard de dollars, à Montréal, soit 12% environ de tout le Canada et plus de 50% de la province de Québec. Bien que nous ne disposions pas du montant des achats pour la seule partie Est de la ville, nous pouvons nous faire une idée de la situation en observant que le pouvoir d'achat de cette partie de la ville est de l'ordre de 750 millions de dollars annuellement. Sans doute ce montant n'est pas dépensé seulement dans l'Est de la métropole mais c'est le cas d'une grande partie, du moins si on en juge par le nombre de maisons de commerce réparties dans les 21 quartiers dont nous avons fait le tableau.

Maisons de commerce et de services, par quartier de l'Est, apparaissant au rôle des taxes municipales pour l'année financière 1954-55.

Première colonne, le nom des quartiers; deuxième et troisième colonnes maisons et logements combinés, de propriétaires et de locataires, et de locataires seulement; quatrième colonne magasins; cinquième colonne édifices pour banques et bureaux; sixième

colonne garages et postes d'essence, septième colonne, hôtels.

Quartiers de l'est	Magasins et loge- ments combinés Propriétaires Loca- taires et locataires		Magasins	Edifices pour banques et bureaux	Garages et pos- tes d'es- sence	Hôtels
Ahuntsic	130	68	51	11	22	1
Bourget	49	135	29	3	8	1
Crémazie	30	216	44	24	2	1
Préfontaine	76	29	15	5	10	0
Saint-Denis	82	102	53	1	19	0
St-Michel	89	176	86	10	21	0
Delorimier	134	82	65	6	25	2
St-Eusèbe	79	77	14	4	21	1
Hochelaga	134	104	22	1	9	0
Lafontaine	29	39	6	2	8	0
Papineau	42	161	16	1	9	1
St-Edouard	164	213	42	2	23	0
St. J. Baptiste	101	330	43	3	17	0
Ste-Marie	27	67	5	4	8	0
Maisonneuve	96	226	39	12	14	0
Mercier	115	42	41	10	17	1
St-Jacques	57	176	73	10	24	2
Montcalm	171	102	57	12	29	0
Rosemont	235	208	27	9	63	0
Villeray	279	139	102	16	49	0
Ville-Marie	10	105	143	50	6	8
TOTAL :	2129	2797	973	196	404	18

% de Montréal	73.6%	58.1%	48.6%	34.5%	61.4%	39.1%
Montréal	2890	4812	2004	568	658	46

Il existe 973 magasins proprement dits dans l'Est de Montréal ou 48.6% d'un total de 2004 à Montréal. Cela ne tient pas compte des quelque sept mille magasins et logements combinés. La proportion des services plus ou moins directement reliés au commerce est pourtant sensiblement différente :

Hôtels : 18 dans l'Est sur un total de 46 ou 39.1%;

Edifices pour banques et bureaux : 196 dans l'Est sur un total de 568 ou 34.5%;

Garages et postes d'essence : 404 dans l'Est sur un total de 658 ou 61.4%.

Il existe dans l'Est une disproportion trop grande entre le nombre de magasins et le nombre des autres entreprises à caractère commercial: dans 12 quartiers sur 21 il n'y a aucun hôtel; de plus, le nombre d'édifices à bureaux semble nettement insuffisant. Enfin, même si nous ne pouvons disposer de chiffres précis, l'observation quotidienne nous permet de constater que le nombre de restaurants d'une certaine ampleur ne paraît pas assez élevé pour répondre aux besoins de la population et favoriser l'activité des magasins proprement dits.

Déjà les magasins à eux seuls font vivre quelque 20,000 employés et versent en appointements et salaires un montant de

l'ordre de \$60,000,000. Toutes les entreprises publiques (autobus en particulier) et privées (restaurants, hôtels, services de taxis et de camionnage, garages et postes d'essence, maisons de bureaux, etc.) profitent de l'activité des magasins et la stimulent à la fois. C'est pourquoi un juste équilibre entre ces entreprises est si nécessaire.

Les magasins à rayons, qui font en moyenne un chiffre d'affaires mensuel de l'ordre de \$90,000,000 au Canada, ou un milliard environ par an, sont très importants dans la métropole et enregistrent de 12 à 15% de ce montant annuellement. Ils constituent pour le consommateur de véritables centres d'achats et pour les autres genres d'activité commerciale ils sont des occasions importantes et constantes de gains. Sous un même toit, dans un décor et une atmosphère de confort incomparables, le consommateur y trouve tout un monde d'articles à choisir. Tout y est agencé pour satisfaire le client.

La maison Dupuis Frères, pour sa part, exploite un des plus grands magasins à rayons de la ville, érigé sur un terrain d'une superficie de 58,140 pieds carrés, sur la principale artère commerciale de la métropole du Canada, rue Ste-Catherine. L'immeuble, propriété exclusive de la Compagnie, comprend un édifice de sept étages avec sous-sol ayant une superficie totale de plancher de 400,000 pieds carrés, muni d'escaliers roulants, - escalators, - et d'ascenseurs des plus perfectionnés. Le magasin compte aujourd'hui 103 rayons et 66 services, le tout agencé de façon à donner le maximum de satisfaction au client. L'exécution d'un vaste programme d'agrandissement et de

modernisation des édifices du magasin se poursuit toujours en vue de donner plus de service à la clientèle croissante. Un édifice important et contigu au magasin permettra éventuellement de pourvoir à l'expansion du magasin actuel. Deux entrepôts et postes de livraison, l'un pour les ameublements de maison, et l'autre pour les articles de nouveautés, sont aussi maintenus au bénéfice des clients. Enfin, tout près du magasin, un grand parc de stationnement d'une superficie de 35,000 pieds carrés est à l'usage des clients. Toutes ces installations sont effectuées selon les dernières données du progrès et chaque année des améliorations sont apportées.

La maison Dupuis a, depuis plusieurs décennies, dépassé les limites de la métropole dans son rayonnement. Pour servir sa clientèle de l'extérieur qui est empêchée de se rendre fréquemment à l'établissement de la rue Sainte-Catherine, un imposant comptoir postal - mail order - inauguré en 1921, est situé dans le quartier Saint-Henri à Montréal. L'immeuble, aussi propriété exclusive de la Compagnie, comprend un terrain de 63,079 pieds carrés et un édifice de cinq étages d'une superficie globale de plancher de 135,000 pieds carrés. Plus d'un million de catalogues décrivant environ 10,000 articles sont distribués chaque année et permettent d'atteindre une grande partie de la population rurale. Les cadres du comptoir postal s'élargissent graduellement par la création de bureaux de commandes dans plusieurs villes de la province.

La Maison emploie régulièrement 1,600 personnes en

période normale d'activité. Elle se préoccupe d'imprégner de confiance mutuelle et de saine compréhension ses relations avec le personnel. A cette fin, elle a signé le 28 juillet 1952 une convention collective de travail avec le Syndicat National des Employés du Commerce de Détail de Montréal. Le renouvellement de cette convention s'est effectué par voie de négociation directe. Nous cherchons la collaboration étroite avec les membres du personnel sans sacrifier pour autant la devise de la Maison (Qualité, Service, Economie) et sans cesser de nous adapter aux exigences des nécessités du commerce.

Si nous avons voulu insister plus particulièrement sur l'attitude de notre Maison, c'est que nous voulions caractériser non pas une situation particulière, mais mettre en relief l'ampleur des services que les entreprises commerciales du genre mettent à la disposition des membres du personnel de leurs établissements aussi bien qu'à la disposition des consommateurs et des fournisseurs dans les perspectives du progrès du Canada.

4. Relations entre le gouvernement et le monde des affaires.

L'expérience acquise au service des consommateurs et du public en général aussi bien que l'expansion de l'activité des fournisseurs de produits primaires et d'articles manufacturés nous a convaincus que le rôle des entreprises commerciales est important pour le progrès du Canada dans son ensemble comme pour celui de Montréal en particulier. Mais ce rôle ne peut être efficacement joué

que dans un climat de liberté et de collaboration non seulement entre toutes les personnes directement intéressées, mais avec la coopération des pouvoirs publics.

On ne peut plus s'attacher à des pratiques commerciales désuètes ou admises comme normales dans le passé sous peine d'être engagé dans un mouvement de recul certain sinon de disparaître. Les habitudes du public ont changé et se modifient tous les jours. Le consommateur veut aujourd'hui, évidemment en raison d'une intense publicité qui l'oriente ainsi, non seulement tel produit, mais une foule de services accompagnant la distribution de ce produit; il veut acheter à crédit, il réclame des facilités de magasinage, de transport, de communication et de stationnement.

L'homme moyen a réussi jusqu'à un certain point à hausser le niveau de son confort domestique en se procurant immédiatement l'objet dont il a besoin et en le payant par versements. Ce fait paraît confirmé si on observe la courbe de l'accroissement des ventes totales et celle de l'augmentation des ventes à crédit chez-nous comme dans plusieurs autres magasins du genre. Le volume de crédit n'augmente pas dans une proportion démesurée. Une autre confirmation nous vient du fait que, en ces dernières années, les prix sont restés stables en dépit des demandes de crédit, ce qui indiquerait que la vente à crédit a eu comme principal effet de satisfaire le consommateur et de stimuler la production. Enfin les stocks en entrepôt ne dépassent pas non plus une limite que l'on pourrait qualifier de raisonnable et de prudente.

C'est la conviction de la maison Dupuis Frères, Limitée que, dans la conjoncture actuelle, restreindre trop sévèrement le crédit aux consommateurs est une erreur qui pourra plutôt nuire à l'expansion du Canada. L'exercice de la liberté individuelle, joint à une éducation discrète du consommateur dans ce domaine, plutôt que des mesures gouvernementales rigides, devrait être le moyen le plus efficace de contrôle du crédit à court et à long terme.

De plus, les taxes élevées sur trop d'articles peuvent devenir une entrave directe à la prospérité du Canada par la répercussion qu'elles ont sur plusieurs entreprises commerciales, sur le mode ou le volume des investissements de capitaux. L'éminent spécialiste sur le problème de la "taxation", J. Grant Glassco, a exposé devant votre Commission plusieurs changements immédiats à apporter et nous abondons dans son sens. Comme l'écrivait The Financial Post, dans le numéro du 11 février dernier, "These Taxes Stunt Canadian Growth". Il convient aussi d'ajouter que nous espérons que le prochain budget fédéral tiendra compte de ces faits. C'est pourquoi, nous ne croyons pas opportun d'insister ici. Certaines de ces taxes n'apportent que peu de ressources nouvelles au trésor de l'Etat alors qu'elles créent beaucoup d'ennuis et ont de regrettables effets sur le volume et la vie des affaires.

Nous voyons un autre rempart de l'activité commerciale dans la liberté d'ouvrir les magasins le soir - comme l'a dit monsieur Steinberg tout-à-l'heure, et je suis tout-à-fait de son avis - du moins certains jours de la semaine, afin de donner aux clients le

service qu'ils recherchent. Certains facteurs militent en faveur de cette pratique, notamment le fait que dans plusieurs familles le mari et l'épouse travaillent le jour et ne peuvent disposer que de certaines heures tardives pour effectuer leurs achats. Les facilités de circulation et de stationnement sont aussi plus grandes et le public en général est capable d'en profiter.

En un mot, les entreprises commerciales, comme les industries manufacturières, devraient être en mesure de mettre en oeuvre toutes les améliorations que suggèrent la recherche des besoins de la population et les progrès techniques et technologiques. Nous ne croyons pas que le coût de la distribution en soit sensiblement accru. Bien, au contraire, l'accroissement du volume des ventes compensera pour les frais supplémentaires occasionnés par les nouveaux services offerts par les magasins.

Le coût de la distribution, que nous ne croyons pas supérieur à celui d'outre-frontière, dépend en grande partie des services que demande le public: traitement et salaires de la main-d'oeuvre, présentation, emballage et diversité des produits, commodités, décorations et confort des magasins, facilités de crédit, avantages du stationnement, etc...

L'Est de Montréal, comme la Métropole tout entière, profitera d'une plus grande latitude dans ce domaine. Son avenir commercial est déjà très prometteur. Il reste encore suffisamment de terrains non construits pour permettre un accroissement important de la popula-

tion, du nombre des logements, des magasins, d'industries et d'entreprises de toutes sortes, tant sur l'île que sur la rive sud du fleuve. Cette dernière partie, avec l'amélioration en cours de la circulation sur le Pont Jacques-Cartier et l'ouverture de la voie maritime du Saint-Laurent, n'est qu'au début de son expansion. On trouvera place pour le stationnement, on devra améliorer la circulation. Avec la canalisation du Saint-Laurent et les progrès qu'elle fera surgir, nous prévoyons que la population doublera dans l'Est de Montréal d'ici 20 ans si nous savons profiter des circonstances favorables.

L'élimination des logements insalubres dans les vieux quartiers est un autre problème de première importance pour l'augmentation de la valeur foncière du voisinage et la réduction des dépenses de certains services publics.

De plus, la région manque d'hôtels et même d'édifices à bureaux bien localisés que justifieraient déjà plusieurs entreprises industrielles et commerciales, par exemple la présence du Palais du Commerce - Show Mart sur la rue Berry. On parle à bon droit des inconvénients de la centralisation industrielle; on devrait aussi signaler les désavantages d'une trop grande centralisation commerciale. Compte tenu d'une partie de la population de l'Est qui est obligée de trouver du travail dans l'Ouest de la ville, il est étonnant que certaines administrations publiques et privées n'aient pas songé à bâtir quelques édifices à bureaux et quelques hôtels dans l'Est. Il y a là un problème d'équilibre économique et social à régler.

CONCLUSION et recommandations.

Nous entrevoyons l'avenir économique du pays comme celui de Montréal, comme celui de l'Est en particulier, dans l'équilibre des forces, équilibre réalisé par une étroite collaboration des gouvernants à tous les degrés avec les chefs de l'entreprise privée. En conséquence, nous recommandons, sur le plan général :

1. une grande libéralité dans l'usage du crédit aux consommateurs sous l'empire de l'initiative individuelle plutôt que des restrictions trop rigides de l'Etat;

2. une revision complète des principes et de l'application des impôts en général et des taxes de vente en particulier de façon à ne pas ralentir le mécanisme des échanges et de la distribution;

3. beaucoup de latitude dans l'établissement des heures de magasinages plus en conformité avec les besoins de la clientèle, le développement des banlieues dans les grandes villes et les changements d'habitudes des consommateurs.

Sur le plan régional, nous recommandons :

1. la collaboration entre les gouvernements et les chefs de l'entreprise privée en vue de favoriser la décentralisation commerciale, notamment en ce qui concerne les hôtels, les édifices à bureaux et les restaurants;

2. la mise en oeuvre d'un plan d'urbanisme souple

et rationnel pour la réfection de certains quartiers et l'élimination des logements insalubres - slum clearance, - l'augmentation des facilités de circulation et de stationnement dans l'Est de la ville.

3. l'étude et la recherche par des spécialistes, urbanistes, ingénieurs, économistes et sociologues, en vue de tirer le maximum d'avantages économiques et sociaux des terrains disponibles ou à réaménager dans l'Est de la métropole.

Ces recommandations, bien qu'elles concernent les autorités locales d'abord, ne sont pas sans intéresser également les autorités supérieures. Ce n'est qu'avec la collaboration de tous que les progrès du pays seront assurés pour une longue période.

(Page 6730 follows)

MR. DUPUIS: Mr. Chairmen and gentlemen, this is my presentation. I want to thank you for having listened to me in French and I will be very happy to answer any question you may wish to put to me in English.

THE CHAIRMAN: Well, Mr. Dupuis, we are under a great debt to you for the work and the thought that has gone into this presentation and I can assure you we are very grateful indeed. I think we have probably all got a few questions. The one that occurred to me early on was what the reason would be why there should be such a much greater degree of home ownership in Toronto than in Montreal. It couldn't be just a question of income. Is it more a question of habit or custom?

MR. DUPUIS: Might I suggest that it is a matter of income. The average number of children in our families is so high, the earning power of many Montrealers has been low up to now. It is on the upgrade and no initiative was taken until recent years, no advantages were given for home building. Under the new atmosphere with all the advantages that are available now of national housing, etcetera, we see a lot of new buildings but it has become, I would suggest, a habit of our industrial workers to occupy some very old dwellings in the old district near the factories, dwellings which belong to estates which have not been kept up-to-date, where the rent was frozen in 1941 and still is, and it is amazing the small amount of rent that is being paid by many Montrealers on account of that. The improvements made have not justified very substantial increases where

costs are going up under all other headings. But I wish that this situation could be corrected because I think it is not desirable that we keep this proportion of 24.

THE CHAIRMAN: Then on the table that you gave on page 19 there are a number of shops and houses that are combined in the same building. Is that a custom here? What accounts for that?

MR. DUPUIS: As they say, "C'est la vieille tradition de la boutique". It is a French expression. It is a traditional custom -- the "boutiquier" they like to go upstairs for lunch, but I think we are all agreed on that, and it is peculiar, it allows certain people to be in business being near their homes, but it is unusual in the North American economy, I see that.

THE CHAIRMAN: Well then, you had quite a bit to say on this question of credit and that you oppose any strict restriction of credit?

MR. DUPUIS: We do, sir.

THE CHAIRMAN: Do you think it is too restricted now? What should be the policy? What are the danger points? We got some rather opposition opinion from Senator Vaillancourt the other day in Quebec.

MR. DUPUIS: He is a director of our company. Yes, indeed, we are content that the credit we are granting is sound. It is granted on its merits. We will make every endeavour to offer the facilities to our clients so that they can enjoy immediately the possession and use of things indispensable for their health and their welfare. Why should we deprive of a

washing machine a mother of three children who is pregnant, and allow her to use the old scrub board when she can make a token payment when the revenue of the family is reasonable enough to assume that they will be able to meet these instalments? We start with the washing machine and then we go to the Frigidaire. It is more than a convenience; it is a necessity today. Well, naturally clothing and furniture come before these two and you come to the radio and I am not ashamed to say that the radio contributes to the welfare, keeps the people up-to-date from an educational standpoint if it would only be for the children. I think before many years we will be applying the same reasoning to television. I would not discuss the automobile situation. Much of this credit, Mr. Chairman and gentlemen, is being incurred, these liabilities, by the Canadian consumers under the heading of the purchases of automobiles. I suggest that department stores like ourselves who have big clientele should be in a position to offer those people facilities.

We said that they want to shop in nice stores, they want to be attended upon. If my good friend, Mr. Steinberg was here I would like to make a little remark. He is a great retailer. I share his views as far as retailing in general is concerned, that we are approaching self-service, but a department store has a character of its own. People walk in there in an atmosphere of confidence. They want to be waited upon. They are going to choose the same shirt as they would in a junior department store but they want someone to tell them, "That shirt will fit you well".

They want to have parking facilities, they want to have a restaurant, they want to have a toilet room and all kinds of things, and they want, and I think they are entitled, to credit facilities because we appreciate their patronage and we would like them to enjoy as soon as possible the use of those articles which they think they need and in many cases, sir, they could pay for them cash but they will keep their earnings, they will have a savings account in case that there is illness in the family or an accident or something that upsets the cart. While their credit is good and the breadwinner has a job, his landlord gives a good report, and he has a savings account, that is the time to establish his credit and he does not want to take a chance of putting all his savings in the purchase, let us say, of a \$300 refrigerator; he prefers to spread that payment.

THE CHAIRMAN: A friend of mine in Toronto, Bertram Gerstein, holds those views. He thinks the best person to decide about the level of credit is the person who gives the credit.

MR. DUPUIS: Yes. We use restraint. We are not playing that game for the fun of it. It is costly. It takes a lot of personnel. We have got to continually enquire, obtain reports on all those who are asking for it but we do it as we keep a restaurant, as we have the other facilities -- delivery and so on, we do it for the convenience of our clients and we think that the best policing is to be done by those who grant it and those who apply for it rather than government intervention. We fell in line with the Wartime Prices and Trade Board's

regulations during the war restricting credit, but we do not see any use for intervention at this present stage.

THE CHAIRMAN: Mr. Dupuis, we are very honoured to have with us a member of another Commission appearing before us today.

MR. DUPUIS: It is peculiar for me, sir, to sit on this side of the fence.

THE CHAIRMAN: You are a very brave man. I was interested in your second recommendation about sales tax. Can we expect your report will be available before long? Before ours?

MR. DUPUIS: Yes, ours was submitted to the Minister of Finance some time ago and I have reason to believe that he will make an announcement in the House on or about budget time. We have nothing further. My reference to that is that these taxes are certainly a nuisance, these excise and sales taxes.

MR. LUSSIER: Monsieur le President vous a demande plusieurs questions que j'avais notee et que je ne vous demanderai pas. Cependant, ce qui me frappe surtout, dans l'Est de Montreal, c'est, d'apres ce que vous avez mentionne, le manque d'hotels et aussi le manque de maisons d'affaire, d'edifices, de bureaux.

MR. DUPUIS: C'est ca.

MR. LUSSIER: Quant a l'hotellerie, vous indiquez 39.1 percent du nombre

MR. DUPUIS: C'est microscopique.

MR. LUSSIER: C'est microscopique si vous comptez le nombre d'edifice qu'il y a dans l'espace.

Ceci doit etre de nature a diminuer nos chances de commerce, parce que les hotelleries sont du cote de l'ouest.

MR. DUPUIS: Votre question, me fait plaisir, et pour le benefice des autres membres de la Commission.....

I think we in the east end of Montreal are very badly off as far as hotels are concerned. We have neither the Windsor nor the Queen's nor the Mount Royal or Laurentian or the Ritz-Carlton and we suggest here that if and when public bodies like the Canadian National Railways decide to erect a hotel somewhere, they should consider the city as a whole. They did not in the old days. We deplore it.

THE CHAIRMAN: What happened to Place Vigier?

MR. DUPUIS: That has been closed. It is now occupied by the City Hall and I think the administrators of the city were very thoughtful in preventing its demolition. If you have a few minutes to spare then travel to Place Vigier. It is a very attractive monument. It cost them a lot of money but it certainly could have been replaced at a cheaper scale, so I congratulate the City Fathers for having kept it. It is reminiscent of the Chateau Richelieu and the Chateau Ramsay.

(Page 6740 follows)

M. Lussier :

Est-ce que le fait d'avoir démoli la gare Viger dans l'Ouest n'a pas contribué à causer certains préjudices à votre commerce?

M. R. Dupuis :

La fermeture de l'Hôtel Viger a nui au commerce.

M. Lussier :

Et de la gare aussi?

M. R. Dupuis :

Et de la gare aussi. C'est un autre point, nous n'avons pas assez de gares.

M. Lussier :

Vous avez un comptoir postal important qui déjà date de longtemps?

M. R. Dupuis :

En effet.

M. Lussier :

Est-ce que vous constatez des progrès notables d'année en année à ce comptoir postal?

M. R. Dupuis :

Nous ne servons que la classe rurale. Nous n'adressons pas nos catalogues dans les autres villes, parce que nous ne voulons pas faire de concurrence aux marchands locaux. Notre conception, c'est d'essayer d'apporter aux cultivateurs, dans les rangs,

un catalogue qui va leur permettre de choisir la marchandise dont ils ont besoin, ou qu'ils ne peuvent pas se procurer chez le marchand local, et là, commander par la malle.

Nous avons une clientèle fidèle depuis 1921, qui va en augmentant et envers laquelle nous sommes bien reconnaissants de nous continuer son encouragement.

M. Lussier :

Etant donné la densité considérable de la population dans l'Est, d'abord vous recommandez l'élimination des taudis?

M. R. Dupuis :

Des taudis.

M. Lussier :

Avez-vous quelques recommandations spéciales à faire à ce sujet-là, ou est-ce que l'aide apportée par les gouvernements pour l'élimination de ces taudis-là est suffisante?

M. R. Dupuis :

Monsieur, il y a un miracle qui va se produire avec l'exécution du plan "DAUSOIS". Le plan Dausois va former un quadrilatère borné au nord par la rue Ontario, à l'ouest par St-Laurent, au sud par Ste-Catherine et à l'est par St-Denis, et là on va démolir tout ce qui existe actuellement pour refaire les rues, les élargir et avoir des maisons dos à dos, et des appartements de huit étages.

C'est dans le centre de la ville , ça va être une expérience, c'est pour ça que nous demandons que le gouvernement contribue. Il le faut, pour le début.

Après ça, le public investira, achètera des obligations hypothécaires, etc., mais pour le début, nous demandons le support des pouvoirs publics et le National Housing ou la Compagnie Centrale d'Hypothèque - Central Mortgage est en train d'arrêter les dernières modalités de l'exécution du plan Dausois. Mais c'est ce que nous demandons, que les pouvoirs publics nous donnent un coup de pouce pour partir, parce que c'est trop difficile d'attirer le capital dans une question de "slum clearance"; ils aiment mieux peut-être aller ailleurs, mais il faut commencer par le commencement, et je crois que nous avons un grand avenir si nous pouvons faire disparaître, éliminer les taudis.

M. Lussier :

Maintenant, est-ce que vous avez suffisamment de parcs, de terrains de jeux, de salles de récréation pour les jeunes dans l'Est?

M. R. Dupuis :

Nous avons toutes les facilités pour que la population de l'Est reste dans l'Est. Nous avons des millions d'investis en églises, en écoles, collèges, couvents, cours de récréation, parcs, en hôpitaux. Il n'y a pas de raison pour que les gens sortent de la ville pour passer leurs journées en tramways, en autobus ou en autos.

Nous avons de grosses industries, nous avons par exemple MacDonald Tobacco, rues Ste-Catherine et Delorimier, il n'y a pas de raison pour que les ouvriers qui travaillent à ces usines immenses, ou Dominion Rubber, ne restent pas autour. Ce sont les domiciles qui sont désuets. S'il y avait le "slum clearance", les gens pourraient rester là et être parfaitement heureux.

(Page 6745 follows)

THE CHAIRMAN: Thank you very much, Mr. Dupuis for this very helpful and worth while presentation. We are most grateful to you.

MR. DUPUIS: I am very grateful to you and I wish you God speed in this wonderful assignment.

THE CHAIRMAN: I don't know if all members of the Commission are aware that Mr. Bruce Hills is President of Urick-Currie Company who is making two studies for the Commission. I am not sure whether we should question you as it would be more favourable to us to have you away working on the studies and not being here.

MR. HILLS: At least I can assure you, Mr. Chairman, that my presence here is not holding up any of the studies.

THE CHAIRMAN: We will mark your submission Exhibit 192.

You might perhaps before you submit this brief then tell us just a little bit about the Canadian Management Council because I said a moment ago before I came to order, I had not heard about it in Toronto. I gather it started in Montreal and that it may expand to other parts of the country, is that right?

MR. HILLS: Yes, it began in Montreal and, of course, we have member companies in Toronto. One of our member companies, for example, is the Canadian Industrial Management Association. I don't think we have any members outside the provinces of Quebec and Ontario, however. Yes, the Canadian Management Council was accepted by the International Committee of Scientific

Management as a representative of Canada in the management field and so granted membership on that Committee in 1947 and officers and members of the Council have attended International Committee meetings in Brussels and Sao Paulo as Canada's representatives.

THE CHAIRMAN: I apologize for not being up to date and knowing about these things.

MR. GRAUER: Do you have anything to do with the American Management Association?

MR. HILLS: No association as such, no, but we have an association with the ---

MR. PEACHY : I might say there is an association this way, that this International Committee of Scientific Management was formed about 30 years ago. Dr. Gilbreth and some of the old-timers started it up and there are about 25 countries that support this International Committee of Scientific Management. The Americans pay about half the fees that operate this CIOS as it is called, and they have an organization called the Council for the International Progress in Management and that Council, one of those supporting members, is the American Management Association, so to that extent we are sort of second cousins or something like that.

This Canadian Management Council is primarily set up -- I think the Engineering Institute of Canada probably did the most towards getting this organization together and in setting it up primarily for representing Canada on this International Committee of Scientific Management. I remember Bill Batt, the

President of SKF was very insistent that we get into it and be represented as a large industrial country and a country that looked to its export business for its welfare.

THE CHAIRMAN: Will you just proceed, please.

MR. HILLS: This Brief is submitted to the Royal Commission on Canada's Economic Prospects by the Canadian Management Council. This Council is supported by some of the leading institutions in the country, including the Bank of Montreal, Canadian International Paper Company Limited, and the Canadian Pacific Railway Company. But it also embraces as members all the leading Societies and Associations interested in the study of management problems. These Society members are as follows:

Society for Advancement of Management
Institute of Administration
Engineering Institute of Canada
Chartered Institute of Secretaries
National Office Management Association (that, incidentally, is another one with American headquarters)
Society of Industrial and Cost Accounts of Canada
Canadian Industrial Management Association
Porcupine Institute of Administration
Montreal Personnel Association
Toronto Personnel Association

The Canadian Management Council was accepted by the International Committee of Scientific Management as suitably representing Canada in the management field

and was granted membership in that body in 1947.

Officers and members of the Council have attended International Committee meetings in Brussels and Sao Paulo as Canada's representative.

II. Consideration of the field covered by the brief:

The Council submits very earnestly that no investigation of Canada's Economic Prospects can be complete without due consideration being given to the question of provision of adequate facilities for executive training and advancement in management. It does so because the future of Canada's economy depends to a very considerable degree upon the quality of its industrial leaders and the calibre of its executives in business. This is undeniable even where the progress of a country is determined by normal birthrate increases; in Canada's case, however, there is the further factor of a growth enhanced by planned immigration, which must have the effect of creating a serious shortage of adequately trained executives unless the appropriate facilities are there.

The necessary facilities for education in management can be summarized as follows?

1. Student training. Tuition should be given in basic principles of administration and other facets of management, including leadership, at the stage covered in the student's life by the universities, colleges or extra-mural courses in his chosen career.

2. Post-graduate training. Because the theoretical knowledge in management must be coupled with practical application there is a lengthy period

during which the future executive requires to supplement the practical training in management with further theoretical instruction. This is generally self-acquired by:

- (a) Reading appropriate literature on management subjects
- (b) Attendance at seminars, lectures and courses
- (c) Learning from the example of his immediate superior
- (d) Training courses within the larger corporations in industry.

3. Theoretical "Refresher" Courses. At the stage at which there is the difficult change-over from functional to general management, the executive may require to attend a business course such as those given at the Universities or Business Schools in order to revise his theoretical learning under the supervision of adequate tutors.

4. Advancement Stage; At all times executives in any position in industry require to keep abreast of developments in the management techniques. This is achieved by:

- (a) Reading relevant literature
- (b) Attendance at conferences, lectures and seminars
- (c) Active participation in one or more associations or societies which afford an opportunity for discussion and exchange of opinions on management problems.

III PRESENT POSITION RELATIVE TO AVAILABLE FACILITIES

It will be seen from the foregoing that the necessary facilities for management training and advancement fall into three groups; these are dealt with in turn from the point of view of the present position

relative to availability as far as this country is concerned:

A. THE PROVISION OF MANAGEMENT LITERATURE

The greater part of the appropriate reading matter is published in the U.S.A., two of the main sources being the American Management Association, and the National Industrial Conference Board. Many American publishers are finding the management field a fruitful one, and as a result there are a considerable number of books and pamphlets at all times available for those interested in studying the subject. Then, too, practically every technical magazine includes at least one article on some management aspect, many of which are worthy of consideration by anyone requiring to advance their knowledge. But although there is an ample supply of good reading, it has to be sought by the student. There is no co-ordinating body in Canada to which the student or executive can go in order to make a selection, or to obtain advice as to the right form of reading for his particular needs. Only one medium on this continent tends to serve this purpose, namely, the American Management Association, and Canadian executives lean to a very great extent on this Association as a means of furthering their knowledge. However, the nature of the information and theoretical knowledge supplied by this Association, excellent as it is, must be slanted towards American requirements and American conditions. It is not, therefore, always in the form best suited for Canadian purposes and there is a need for "editing".

THE CHAIRMAN: Would stress that very

strongly? It seems to me that the stuff that they put out is very good.

MR. HILLS: It is but when we say there is a need for editing, we mean more selective guidance. We feel there is a lot slanted towards these American conditions which can be read by students with not quite the right slant as far as we are concerned.

MR. PEACHY : That is an interesting point. A lot of it is good but when you touch some of these things, they do things differently in the States in many ways. Our banking organizations are different and so on, but people all tend to go down there and take the American attitude towards these things which leads to much greater peaks and valleys than the normal, Canadian way.

MR. HILLS: I might add, Mr. Chairman, I think that when you get up near the top of the Management tree, executives, of course, have a far better chance because of their experience in industry in making this sort of selection. I don't think it is so easy when someone is trying to learn something about this management business.

THE CHAIRMAN: Do you think many learn it without being in it?

MR. HILLS: He can only learn by being in it, Mr. Chairman. My point is that as you are climbing up by the management tree, you have to be learning all the time but at the lower levels I don't think a man is so fit in making a selection and it is at that point we feel that he wants real selective guidance and that is what we mean by editing.

B. BUSINESS ADMINISTRATION COURSES AT UNIVERSITIES
AND SIMILAR INSTITUTIONS.

These must cater both for the student's initial tuition and the executive "refresher" courses. There are a number of excellent business administration courses available on this continent, in the main supplied by the Universities. Typical examples in Canada are the University of Toronto, University of Western Ontario, Banff School of Advanced Management, and Laval University. And we would add a further one, of course, the Atlantic School of Business Administration. In the United States the better known examples are Harvard University, Boston University, and Massachusetts Institute of Technology. While there is the capacity once again there is no co-ordinating Canadian body to which the student or executive can go in order to seek advice as to the course most suitable for his purpose.

C. APPROPRIATE LECTURES, DISCUSSION GROUPS, SEMINARS
AND SHORT SPECIALIZED CONFERENCES

The American Management Association have an extensive annual programme of conferences and seminars covering management problems. In addition, most of the Society members of the Canadian Management Council make a practice of arranging conferences annually, inviting guest speakers to their regular meetings and providing other opportunities of bringing to Canadian executives the type of instruction which is sought by all those anxious to improve their knowledge of management.

The number of these opportunities is indicative of the strong thirst for this knowledge and

the Societies are only too ready to cater for the need. But there may be danger in the absence of co-ordination of these efforts, which can easily lead to:

- (a) Overlap in the nature of the subjects discussed
- (b) Gaps left uncovered in the overall management field
- (c) Because the accent must be on the functional aspect by the very nature of the Societies' interests, the general aspect of management may not be adequately covered.

If left unresolved this situation could result in a serious dissipation of effort and time and a feeling of frustration in those earnestly seeking to learn.

IV RECOMMENDATION

From the foregoing it can be seen that Canadian industry is today in urgent need of a central co-ordinating body in order to make the maximum use of existing facilities for the dissemination of management knowledge.

We submit that the central body should be responsible for:

1. Collecting from all sources the data and information on management published in the past and in the future; collating, assessing, analysing this, and particularly in the light of Canadian requirements, and thus making available the digested information in a form which can be used by industry and the professional associations.

We consider that this is a much-wanted service to industry which would itself go a long way

towards meeting the cost of maintaining a co-ordinating body.

2. Listing the information relative to "where to learn", i.e., the facilities provided by the Universities, Business Administration Schools, Tutorial Services, Discussion Groups, and the Societies, Associations and Institutes interested in management, etcetera, and providing an advisory service regarding their use.

This would prove an essential link between those seeking tuition and the institutions best fitted to give it.

3. Co-ordinating the efforts of the many Societies, Associations and Institutes in the field of management, particularly in the matter of conferences and seminars; arranging to fill in the gaps in the ground covered by the member Societies by appropriate conferences; maintaining a panel of top-calibre speakers and lecturers.

I might add this comment at this stage that this recommendation has already been endorsed by a meeting of the Presidents of the Society members at a meeting we held in November, 1955.

We further submit that the nucleus of such a central co-ordinating body is to be found in the Canadian Management Council. The objects of the Council, as set forth in Article II of their Constitution are as follows:

ARTICLE II - OBJECTS

1. To represent Canadian Management organizations

at the international level and at international management congresses. The Canadian Management Council is the Canadian member body on the International Committee of Scientific Management, also known as CIOS (Comite International de l'Organisation Scientifique).

2. To encourage a wider understanding of the principles and methods of management.
3. To facilitate the continuing study of the social and technical aspects of our industrial economy.
4. To promote and uphold a code of ethics for those practising management.
5. To serve as a co-ordinating agency for educational institutions, management organizations, business and other organizations in the field of management.
6. To promote in Canada a management development programme utilizing the facilities of both educational institutions and business organizations.
7. To promote awards for achievement in and contribution to management as a science.

RECOGNITION

In order to assist in the management development of this country we earnestly request that your Commission give official recognition to the urgent need for accelerated management training and indicate that the Canadian Management Council offers a co-ordinating body for such facilities.

While we are convinced that the course we have indicated regarding co-ordination is very necessary, what is not known at present is the extent of the demand

for management education and to what degree this is being met by the facilities now available. An indication is, of course, given by the number of business associations, clubs, and similar bodies arranging meetings, lectures and even educational courses at which the main interest is in management matters. The extent of the demand determines the magnitude of the operation relative to the identification of all the facilities and also just how it can best be handled in order to achieve the desired co-ordination. We believe therefore that the first essential step is to carry out a national investigation in order to establish the demand and the method and we trust that this is something the Royal Commission may care to initiate in the form of an investigating committee.

V. CONCLUSION

We would conclude this brief in the terms with which we opened Section II. We earnestly submit that the need for providing the maximum means of improving the calibre of executives in industry is great, and that the time is now. The industrial ranks have been weakened in the past by the drift of many of our most promising executives to the United States; they now require to be increased at a more than normal rate by the rapid growth of our economy. The material for good executives is there, together with an eagerness to learn. In the national interest it is imperative that we take all possible steps to ensure that the means of learning is both adequate and available to all.

THE CHAIRMAN: I have just got one thing

that I would like to ask. In that last paragraph you say:

"The industrial ranks have been weakened in the past by the drift of many of our most promising executives to the United States."

We all know that scientists and engineers have gone to United States but have there been many people in executive positions go to the United States? There have been some but it must have been offset many times over by the Americans that have come here?

MR. HILLS: I would say that was certainly the case, Mr. Chairman, recently, but I, of course, can only rely on what I learn from my friends and in talking and going about the country as I do, and it has been brought home to me many times, this particular point that there has been a strong trend previously across the border to the United States. The United States offers better attractions which Canada cannot offer.

THE CHAIRMAN: I must say I would be inclined to be surprised by that as far as managers and executives are concerned.

MR. PEACHY: I think you really mean, Bruce, Executive material rather than executives, thinking of the younger layer of engineers. I would say we should add that word "material" there.

MR. HILLS: In thinking of executives I agree it is executive material, an executive right down to the lowest point at which a manager is called

upon to delegate and then co-ordinate the efforts of his subordinates.

THE CHAIRMAN: I remain unconvinced.

I think if you are talking about technical people I agree with you but I must say I have not heard so much of it in the remarks of people who you would expect to take executive positions, but that is just one man's opinion.

MR. HILLS: As it was put to me, Mr.Chairman, it was the middle executive branch that was particularly weakened.

THE CHAIRMAN: Well, we are very grateful to you, Mr. Hills, for this presentation. I know that you had not planned to make it yourself but you stepped into the breach quite recently and we appreciate the fact that you have done so and thank you very much.

We will adjourn until tomorrow at ten o'clock.

(At 5.00 P.M. the Commission adjourned until 10.00 A.M.
Wednesday, 22nd February, 1956)

ROYAL COMMISSION
ON
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT "

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FEBRUARY 22, 1956

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MONTREAL, Quebec,
Wednesday, 22 February, 1956.

APPEARANCES:

Mr. W. H. Durrell, Executive
Vice-President, Hollinger-Hanna
Limited and General Manager,
Hollinger North Shore Exploration
Company limited and Labrador Mining
& Exploration Company Limited.

Mr. A. L. Penhale, President,
Asbestos Corporation Limited.

Mr. Bernard Shane, Vice-President,
International Ladies Garment Workers
Union.

Mr. Jack Spector, Counsel,
Dr. Lassard Pepper, Research Director.

THE CHAIRMAN: Shall we come to order,
gentlemen? It is very good of you to be here,
Mr. Durrell. Your submission will be marked Exhibit 193
and if you would like to start in we are all set. Sit
down or stand up, whichever you like.

MR. DURRELL: Gentlemen: This brief is
submitted to provide the Commissioners with basic
information regarding iron ore and other minerals in
New Quebec and Labrador and to point out the problems
related to exploration and mining operations in remote
and inaccessible areas.

The Quebec-Labrador Peninsula, extending
from the St. Lawrence River to Hudson Strait, has come
into prominence as a mineral-bearing area since the
discovery of major iron ore bodies 360 miles north of
Seven Islands. Very little prospecting had been done
prior to 1942 because of the inaccessibility of the area
and the limited markets for iron ore.

Following the success of Labrador Mining and Exploration Company Limited and Hollinger North Shore Exploration Company Limited in locating major tonnages of iron ore, many other companies have explored other parts of the area in the search for mineral deposits. Although none of these has attained the production stage, a great deal has been learned about the area and many interesting mineral prospects have been located.

The results of this exploration work are summarized in the following paragraphs. It is not meant that the summary should be taken as complete, but the more important lines of investigation are outlined.

General Description of the Area:

The most outstanding geological feature of the Quebec-Labrador Peninsula is a belt of rocks running along the west side of Ungava Bay and extending southward through the Knob Lake area for a distance of 550 miles. This belt of rocks, commonly called the "Labrador Trough", contains a western portion favourable for the location of iron deposits and an eastern portion favourable for the location of base metal deposits.

A second belt, and possibly a geological continuation of the Labrador Trough, occurs to the east. Investigations in this area have turned up mineral locations of copper and, as recently announced, the possibility of uranium deposits.

Between these interior regions and the St. Lawrence River lies a mountainous area known as the Laurentian Uplands. Within this broad area, mineral

deposits containing iron, titanium, copper, nickel, lead and blue asbestos have been found.

In the general evaluation of such a large area as the Quebec-Labrador Peninsula, many factors must be considered. Some of the more important of these are:

- 1) The accessibility of various parts of the area to present or possible transportation routes or facilities.
- 2) The climate.
- 3) Availability of hydro-electric power sites.
- 4) The relative amount of exploration work that has been done in various parts of the peninsula.

Description of Mineral Types:

A - Iron

The known iron occurrences can be classed in three main types:

1. Direct shipping Deposits:

This is the type that is presently being mined near Knob Lake. The main characteristic of the type is that the ore contains sufficient iron and is low enough in its content of silica, sulphur and phosphorous to be used in its natural state by blast furnaces. At the present time, the known bodies of direct shipping ore are restricted to the area lying between the Eclipse deposit and the Sawyer deposit, a distance of 93 miles. Schefferville, the present site of mining, lies at the geographic centre of this region. The Concession Companies, Hollinger North Shore Exploration Company Limited and Labrador Mining and Exploration Company Limited by 1950 had proven 418 million tons of high

grade, direct shipping ore. Since that time, many other surface deposits of high grade ore have been discovered but no further drilling has been done as yet to determine the actual amount of ore in these deposits.

I don't have it in the brief but we feel that we could probably say we may have double that 418 million tons and that is direct shipping ore.

A substantial part of the above tonnage and the area covered by the concessions has been leased to Iron Ore Company of Canada, with the Concession Companies retaining ample reserves for Canadian and export requirements.

2. Beneficiating Deposits:

This type of deposit has characteristics that require an improvement in the amount of iron and a decrease in silica content to produce a product that can be marketed. Although many variations occur within the type, the deposits best known for their potential are the Wabush Lake deposits and the deposits of Leaf and Payne Bays on the west side of Ungava Bay. Because of the enormous tonnages known and inferred, deposits of this type stand as reserves that will maintain the area as an iron-producing region for many decades to come.

On the concentrating type ore this type, I have just referred to in the Wabush Lake area between the ore that our concessions have, that is, Labrador Mining, North Shore and the Iron Ore Company -- another company, Canadian Johnson have said they have one billion tons. We think we maybe have two billion tons in that area. That runs about 38 percent iron but it does have

to be concentrated. We do not include it in our ore reserves. When I refer to "ore reserves" I mean direct shipping ore, the concentrated ore that can be economic. It can be ore at this time.

MR. GUSHUE: What content would that be?

MR. DURRELL: About 38 percent to 40 percent iron.

MR. GUSHUE: The Direct Shipping?

MR. DURRELL: No, the Direct Shipping in its natural state that we are shipping today, our average is 54 percent and it does not require concentration. Direct Shipping Ore is of a grade of $51\frac{1}{2}$ percent iron or better. If it is below that it requires concentration of some kind.

3. Taconites or Siliceous Ores:

This type is characterized by a fine-grained nature and generally lower iron content. Although major tonnages are known to occur, it is not likely that the deposits will be of economic value for many years.

B - Base Metal Deposits

Base metal deposits containing one or several of the elements copper, zinc, nickel and lead have been located in two main belts. One belt lies to the east of the main iron belt and extends from Central Labrador to Leaf Bay. The other belt lies within Labrador to the southeast of the first mentioned belt.

Although no assured ore body has been outlined yet, much interest is presently centred on exploring the belts. Sufficient promise has been obtained to warrant an optimistic viewpoint on the base metal exploration ventures. However, the establishment

of transportation facilities will be one of the major factors in establishing the economic potential of these occurrences. The high cost of air transportation, although it has been met by the use of risk capital in the early exploration stages, would be enough to discourage development work. The success of exploration ventures will, therefore, require major capital expenditures to establish transportation facilities for the development of these new areas.

C- Iron-Titanium Deposits

Deposits containing iron and titanium have been located in several places in the Laurentian Uplands north of the St. Lawrence River. The most outstanding of these and the only titanium producer in the area is the Lac Allard deposit near Havre St. Pierre. Other deposits so far found, although at least one contains an enormous tonnage, are not classed as being economic. This is because the nature of the ore minerals makes it metallurgically impossible, under present knowledge, to separate the iron from the titanium constituents. These deposits must, therefore, be classed as being of potential value for the future.

D-Other Mineral Occurrences

In the course of mineral explorations, other metals have been located. Although none has been found in quantities to approach economic amounts, their known presence is sufficient to indicate that the area is at least favourable and that future exploration might be successful in locating economic bodies. Such indications have been had for chromium, cobalt, gold, silver and

uranium. In addition, it must be realized that large areas have received little or no exploration and the mineral potential for such areas cannot be assessed.

Research and Power:

At the present time, considerable research work is ~~being~~ done by our Companies in connection with electric smelting of the lower grade ores to be found in the region, which require beneficiation. Should a satisfactory process be developed for the treatment of this ore, there is ample hydro-electric power available in the area. With a potential of four million horse power at Grand Falls on the Hamilton River and with several millions on the Kaniapiskau River, all within easy transmission distance of the ore deposits, it can be seen that there would be no difficulty about developing power for any programme that might be anticipated.

Mining Operations:

Most mining operations call for long-term planning and the investment of capital on a very large scale. This is particularly true in the case of Iron Ore Company of Canada's New Quebec-Labrador project, which had required an outlay of \$255 million to the end of 1955.

The initial capital expenditure required before a ton of ore had been shipped was the largest in the history of mining to date. The project, including a 360-mile railway, has now been completed and without subsidies of any kind. It is a reflection of confidence in Canada and the Provincial Governments with whom Iron Ore Company of Canada has to deal, as one would hesitate

to make such a large investment in a country not assured of stable government.

The fact that the expansion of the mining industry in Canada reflects the vitality of free enterprise does not mean that this phase of our economy should not receive special consideration from public authorities. As emphasized by the Canadian Metal Mining Association in its brief submitted last January to your Commission, Federal tax legislation has many features designed to give encouragement to the continuity and expansion of mining operations with respect to the deduction of expenditures for prospecting, exploration and development, the depreciation and depletion allowance and the three-year exemption for new mines from income tax. Our purpose here is not to analyze or criticize the various aspects of the Federal tax legislation, but only to suggest that new mines operating in a remote, inaccessible area, with unfavourable climatic conditions, should be given special consideration as far as the period of exemption from income tax is concerned.

In a country as vast as Canada, the development and operating costs of a new mine depend largely on its location. It is quite obvious that there can be no comparison between a new mine operating in a region which has already been opened up and provided with normal services, and a new mine beginning operations in an inaccessible area where everything has to be created.

Inadequate Winter Transportation Facilities:

The increase in population on the North Shore of the St. Lawrence River as a consequence of the

expansion of industrial and mining centres gives rise to the problem of providing adequate transportation facilities during the winter season. There is no doubt that the existing winter facilities which consist of a bi-monthly service out of Pointe-au-Pic to Seven Islands and return are far from satisfactory. To cope with this lack of transportation and as an experiment, Iron Ore Company of Canada has chartered a small vessel the past two winters to operate out of Rimouski and has not encountered any great difficulty with the operation. The North Shore inhabitants, particularly those of Seven Islands and Baie Comeau, are in great need of a regular and more frequent service during the winter season between Rimouski and their respective home ports. Future expansion programmes of these areas definitely justify a bi-weekly vessel service between Rimouski, Baie Comeau and Seven Islands, with a ship designed for use in Gulf ice.

Conclusion:

Owing to unfavourable climatic conditions, a short mining season of not more than six months, a long rail haul, and the great distance from supply centres, iron ore produced in the Quebec-Labrador mining area for Canadian inland markets is at a disadvantage when compared with iron ore being produced in other parts of Canada. These ore deposits are located close to ports and large, established towns and cities; they are near supply centres and have ample electric power available.

For many years, an average of 50 to 90 million tons of ore has moved from the head of the Lakes

down to Lower Lake ports which serve the inland steel-making areas as well as those plants located on the Lakes, and this ore moves free from tolls of any kind.

In 1956, Iron Ore Company of Canada, Hollinger North Shore Exploration Company, and Labrador Mining and Exploration Company propose to ship approximately twelve million tons of ore. Of this, two million tons are destined for the United Kingdom and Continental Europe; approximately two million tons will be shipped to Hamilton and other Lower Lake ports by way of the present 14 foot canal. The balance will go to East coast ports.

The amount of iron ore which will be shipped to Canadian markets through the St. Lawrence Seaway, when it is completed, will depend upon whether the tolls to be established will permit these Companies to lay down Quebec-Labrador ore at prices that will be competitive with Lake Superior ore.

THE CHAIRMAN: Thank you very much, Mr. Durrell. I wonder if you would know -- everybody else may know but I am not clear on the relationship of the three companies.

MR. DURRELL: The original Labrador Mining was formed in 1936 and it had the right to prospect and explore in Labrador. In 1941 the Hollinger Consolidated Gold Mines acquired control of Labrador Mines and in 1942 when they discovered iron ore right on the boundary, you might say, they acquired a concession area in Quebec and that was called Hollinger North Shore Exploration Company. The Hollinger North Shore has a concession area in Quebec and Labrador Mines

in Newfoundland.

It was decided before proceeding with the development to be assured of a successful operation that we would have to interest steel companies and have them become partners; in other words, we had to have a sure market for the ore, the investment being so large that you could build your railroad, establish your mine and then you have, let us say, a recession over a few years and you would not have any place to sell your ore. So our partners in the venture, the five steel companies, have guaranteed to take up to 10 million tons a year. That is the minimum that we can produce and break even, let us say. The Concession Companies also have the right to sell ore on their own account. The Iron Ore Company of Canada has no interest in the different Concession Companies but they have leased a certain amount of ore as well, a major amount. They have all the first 300 million tons plus half of the ore that is found after that amount.

THE CHAIRMAN: Are both Concession Companies owned completely by Hollinger?

MR. DURRELL: No, Hollinger and Hanna. The M.A.Hanna Company became a partner in 1942 as well. They had the know-how as far as iron ore was concerned and Hollinger interested Hanna at the time.

THE CHAIRMAN: What is it, a 50-50 proposition?

MR. DURRELL: No, in the Hollinger North Shore, Hollinger has 60 percent and Hanna has 40 percent. In the Labrador Mining, Hollinger has 51 percent and

the Hanna Company 18 percent and the balance is in the hands of the public.

THE CHAIRMAN: As far as the two Concession Companies are concerned, control is in the hands of Hollinger?

MR. DURRELL: That is right, they have control of both companies. They do through their participation in them. They also have an 18 percent interest in the Iron Ore Company. Hollinger Consolidated Gold Mines are interested in the Iron Ore Company of Canada to the extent of 18 percent.

THE CHAIRMAN: And the Iron Ore Company of Canada is a Canadian company?

MR. DURRELL: Well, it provided the funds and the railway, the Quebec, North Shore and Labrador Railway is in fact a subsidiary of the Iron Ore Company of Canada.

THE CHAIRMAN: So in effect, the Iron Ore Company of Canada is the controlling factor?

MR. DURRELL: Is the controlling factor insofar as the mining and shipping of the ore is concerned but it does not have any interest in the underlying concessions.

MR. GUSHUE: It is an operating company?

MR. DURRELL: It is an operating company and then we have so many companies in the venture that Hollinger acts as the management company for the entire operation. They look after the affairs of all the companies.

MR. GUSHUE: I was just going to ask the

question as to how the Brinko Concessions fit into this map.

MR. DURRELL: There is another small map in the back that shows the Concession Company areas. Brinko have almost 50,000 square miles and they have, you might say, almost the entire area surrounding the Labrador Mining area concession which is shown on this little map. Analco, of course, have a considerable area -- well, it is a Newfoundland-Labrador corporation. The original Labrador Mining had about 20,000 square miles but that has now been reduced by the end of 1955 I think that will have reduced to about 12 or 14 thousand square miles and eventually Hollinger-North Shore will reduce to 300 square miles out of an original concession of 390 and Labrador Mining will retain 1,000 out of an original 20,000. Each year we drop a certain amount of ground and I believe the same applies to Brinko.

MR. GUSHUE: People are very interested in Brinko at Grand Falls.

MR. DURRELL: Yes.

MR. STEWART: They lie partly in Newfoundland and partly in Labrador?

MR. DURRELL: The Hollinger North Shore is in Quebec and the Labrador Mining is in Newfoundland but we are now mining very close to the boundary, just a few hundred feet away as we know the boundary.

MR. STEWART: What do you mean by "as we know the boundary"?

MR. DURRELL: Well, the two provinces as yet have not decided where the boundary is. We are

assuming that the 1927 decision will hold that the height of land is the boundary and from our own surveys both aerial photographs and surveys on the ground, our company engineers have made the best notes they can as to where it is and we are operating on that basis but it is most important to us that the boundary be determined as soon as possible because as a result of our 1955 operations we are and will be taxable, of course, in both provinces.

MR. STEWART: Are the terms of the concessions not firm?

MR. DURRELL: Oh yes, they are, but they just refer to "the boundary". But the boundary has not been determined as yet by the two provinces and we do have ore bodies we are not mining now. We are mining within 200 feet of where we think the boundary is but we do have ore bodies which cross the boundary as we think, which we will be mining within two or three years so the boundary is of paramount importance unless the provinces are quite satisfied to accept our suggestion as to where it is.

MR. GUSHUE: Have you made that suggestion to the province?

MR. DURRELL: We have talked to both provinces but we don't feel that the onus should be on us to establish it.

THE CHAIRMAN: I hope you are not suggesting that the onus should be on Mr. Lussier and Dr. Gushue to establish it.

MR. DURRELL: We would probably get a little further if it were.

MR. GRAUER: What is the proportion of taconites roughly speaking to beneficiating deposits?

MR. DURRELL: Well, on our concessions we have got maybe five or six billion tons of taconite running about 25 or 30 percent iron but we could never compete with the Lake Superior taconites. Within two years they will be producing over 10 million tons a year from their taconites development. They are right in the heart of civilization. We could never compete with taconites from Lake Superior.

MR. GRAUER: That is away in the future?

MR. DURRELL: Yes, but the other ore running from 38 to 40 percent iron, it is an entirely different matter. The taconites requires very fine grinding. Unless you are close to civilization where your costs can be kept to a minimum they are a great deal more expensive than the local concentrating ore. The Lake Wabush area is the best concentrating ore we know of in the entire area.

MR. GRAUER: You mentioned that there are considerable areas that have not been explored.

MR. DURRELL: Well, the country is so vast and no one in it that there has not been one-quarter of one percent of the area explored. It is a huge area. We have done a great deal of work with 30 or 40 prospectors in a season trying to cover hundreds and hundreds of thousands of square miles which just has not been looked at. The potential, we feel, without transportation is too costly. It could be anything because there are government survey showings to indicate that

the minerals are there.

MR. GRAUER: There has been very little explored then?

MR. DURRELL: Almost nothing. There are a number of companies but there would not be 100 men in the entire area looking for minerals. There is a lot of ore there.

MR. GRAUER: Do you look upon electric smelting as a long shot?

MR. DURRELL: I don't know, it is getting a little closer. I would say it is not within the next ten years, I don't think, but you will require a considerable amount of carbon which is coke and very cheap power. You have to have power at not more than 3 mills but the power is there and I believe if developed in large enough quantity it would be feasible. All our various steel company partners have their own people working there and the Iron Ore Company as well.

MR. GRAUER: In the suggestion on page 7 with respect to tax legislation:

"...new mines operating in a remote, inaccessible area, with unfavourable climatic conditions, should be given special consideration"

do you see any difficulty in drawing a line between those?

MR. DURRELL: No, I don't. I think each case would have to be assessed on its own merits. A gentleman I know very well has suggested the parallel of latitude. Well, in my opinion that does not fill the bill because the parallel of latitude may be on the

west coast of British Columbia in ideal climate and up in Labrador where conditions are entirely different. I think our needs would have to be assessed on their own merits. There is no comparison. We have a property at Oka outside of Montreal and that is a holiday as compared with trying to develop one at Labrador where you have the most miserable climate I know of in Canada and where your costs all along the line are much higher than they would be closer to established centres.

MR. GRAUER: The reason why only accessible areas are being developed along with the close in areas is in fact that the over-all demand cannot be supplied by the closer in ones?

MR. DURRELL: That is partly it and if you find mineral of sufficient grade how can you sell your ore in unexplored regions? We have found a lot of regions that are one and a half to two percent copper but they are approximately half way between Knob Lake and Ungava Bay and no transportation. It definitely is not ore. It would be ore outside of Montreal, but not under present conditions. I think real incentive is required to get the operators to go into that country.

MR. GRAUER: Well, are there certain of the remote areas that have a sufficient high grade of ore to warrant development along with the closer in ones?

MR. DURRELL: Yes, you take north of Yellowknife some of the small properties up there are very high grade ore. That is the only reason they can

operate and when they have the same grade of ore which they have in the Kirkland Lake and Porcupine camps they can't develop it.

MR. GRAUER: I suppose if one found ore in remote areas in different parts of the country it would present a problem in finding capital for doing it in a whole lot of places?

MR. DURRELL: You couldn't do it that way; that is understandable, but if you have a major belt -- there is one here. As a matter of fact we have applied for an extension of our railway to Ungava Bay and that would fill that general bill that we see in this area. The geology is favourable throughout the entire area and you would have a good chance of developing mines, but you take other places in Canada in remote areas where you have a very small area of favourable rocks and you would hardly be justified in spending a great deal of money. You would have to be sure you were going to get your money back.

MR. GRAUER: Insofar as the federal government aid is concerned ---

MR. DURRELL: It would not be so much a case of asking for dollars, but if the operator knew that he would get a break. Three years is hardly enough in our opinion. If he had a longer period in which to get his money back before he was taxable then the incentive is there to go into those areas all right.

MR. GRAUER: So in the Labrador area you don't need any subsidy, so to speak, for your

railway building?

MR. DURRELL: If the railway were built I am sure the country would open up and there would be all kinds of mines but we, as a private company at this time, would have to see more. We would have to see enough to justify it being economical and base metal mining alone, it would take a number to make it go. I always think back to Chibougamau. In Chibougamau they had deposits of minerals in there known 50 years ago and it is only now since the Quebec company built a road over six years ago that you can operate and do your exploratory work at a reasonable cost, that they have mines. Now it will be a major task just because they have got transportation, and mind you, when you are developing these properties you are still paying substantial taxes. I know in our development we will have paid up to the end of 1955 -- payroll deductions as well but it is all taxes, and sales tax and so on -- we will have paid out roughly \$30 million in taxes. That has gone to the federal and provincial governments and so far in that area -- I am speaking about our own area now -- no money has been spent by any government. We do our own surveying, our own mapping. In the last couple of years the governments are doing some geological mapping in the Ungava region itself in the far north but in our own concessions we did all our own and even while developing we are still substantial taxpayers apart from the income tax end.

MR. GRAUER: Is it your hope that the extension of the railway to Ungava will be done by the

government?

MR. DURRELL: No, if enough were developed we would prefer to do it ourselves but we don't see quite enough there at this time to gamble on the \$125 million expenditure that would be required to take the railway right through to, say, Leaf Bay but our companies are spending a lot of money on that area.

MR. GRAUER: Your position is that if there were more reasonable taxes and concessions from your point of view you could do these things yourselves?

MR. DURRELL: Not altogether ourselves, but a lot of other operators, and there are a lot of companies working in there in a small way and if they felt they could get a real break on the tax end there would be more incentive. I talk to so many of them and I know the feeling.

THE CHAIRMAN: Just on that point, Mr. Durrell, on page 6 you state that the whole project including the railway had been completed without subsidies of any kind. I suppose your project, like other mining projects, is entitled to the same tax concessions or same basis of taxation that applies to the mining industry generally -- it doesn't matter whether you call it a subsidy but you get a lower rate of taxation?

MR. DURRELL: I was thinking more of the railroad. I think our railroad is the only one that has been built without a subsidy but even now ---

THE CHAIRMAN: What is your basis for depreciation on that? Do you get any special deal there?

MR. DURRELL: No, they are bringing in

legislation where you will be able to depreciate roadbed and track which is something new. That was not particularly for us although insofar as depreciation, that is something that was not in effect before but even with this new legislation the P.G. and E. has been granted a subsidy of \$25,000 a mile on their extension to Chibougamau and subsidies have been common to the building of all railways. We don't ask for any subsidies but from a tax angle we are getting favourable treatment from the tax end.

THE CHAIRMAN: You mean just the same treatment that any mine gets?

MR. DURRELL: That is right and on the railway we are being allowed to depreciate the roadbed and track.

MR. GUSHUE: Will you be a common carrier?

MR. DURRELL: Yes, we are a common carrier. We will haul any commodity that is offered.

MR. GUSHUE: You will be obliged to?

MR. DURRELL: We are obliged to.

THE CHAIRMAN: As a one-time accountant I think you should certainly be entitled to depreciate your roadbed and track.

MR. DURRELL: Well, you should, but it is only now that that is possible.

THE CHAIRMAN: Can you write it off as fast as you like?

MR. DURRELL: No, we can write off a reasonable amount over a short period and then the balance in a 6 percent declining balance.

THE CHAIRMAN: That is not very much.

MR. DURRELL: No, it is not. We can take a reasonable slice over five years and then the balance at 6 percent. That is the new legislation.

THE CHAIRMAN: The reasonable slice being what, 20 or 30 percent?

MR. DURRELL: No, our roadbed and track has cost us around \$233 or \$234 million and we can take \$37½ million over a period of five years. We are not sure about the balance. This is legislation that we are talking about that would be at 6 percent.

THE CHAIRMAN: You referred to this ship you are running from Rimouski to Sept Isle?

MR. DURRELL: Yes.

THE CHAIRMAN: Can you run that all winter?

MR. DURRELL: Yes, last year we lost about two or three days. We lost three days last winter and now for the first time just yesterday -- it is a very small ship, 500 horsepower, just a toy -- it stuck in the ice as of yesterday. That is the first time this winter. When I say Rimouski, I mean the Rimouski area. It could be Father Point. This boat has made nine trips to the area and I think six were in to Rimouski and three in to Father Point and one in to Pointe-au-Pic. During last December in that cold weather, the boat came up to Pointe-au-Pic but with an adequate ship there would be no trouble at all. All the people who know the Gulf know that but you need a ship of three or four thousand horsepower and built for ice.

THE CHAIRMAN: Was that was the original way to handle the transportation problem, from the North

Shore by ship.

MR. DURRELL: Well, during the winter months it is too costly to fly your supplies in. We have done it for years.

THE CHAIRMAN: We are getting some questions about the feasibility of a railway from Lake St. John area.

MR. DURRELL: You are talking now of lots of dollars. You have so many rivers and there are terrific bridges and you are talking about big money when you talk about a railway there.

THE CHAIRMAN: Easier to do by ship?

MR. DURRELL: Much cheaper and it would be if we had a decent service. There is no problem out of Rimouski. It is only 165 miles to Sept Isle and with the new development going along at Baie Comeau the British Aluminum Company, it is something we must have in that area if it is going to develop there. When I went into Seven Islands first in 1947 there were about 400 people. Now there are 7,000 and it is only beginning.

THE CHAIRMAN: Well, if there was a regular service that would operate in the summer too, I suppose?

MR. DURRELL: Well, there is adequate service in the summer.

THE CHAIRMAN: By ship?

MR. DURRELL: Oh, yes, two or three ships every day in summer. It is just during the winter months that you are isolated and only for lack of a small ship that would get along on ice. Two ships of about up to 2,000 tons capacity would be better than one larger one. You would get a little better service and it is a matter

of a little more power and a design for ice. Dr. Gushue would know all about the type of ship that would be required.

MR. LUSSIER: There would not be any necessity to have an ice breaker?

MR. DURRELL: I think an ice breaker in the area might be necessary -- not often because, as I say, we have this small vessel of 500 tons with 500 horsepower this winter and only yesterday for the first time has it got in trouble with ice.

MR. GUSHUE: They would have to be armoured against ice?

MR. DURRELL: Yes, and they would have to have adequate power. That is what you need, is power to push your way through ice and a ship designed to withstand the ice.

MR. STEWART: On page 9 in the last paragraph you refer to the question of the tolls on the seaway and the availability of markets there.

MR. DURRELL: I think that is really important. I pointed out that we are shipping 12 million tons this year and we have not a St. Lawrence Seaway. Our area is such that with the direct shipping ore we can increase our tonnage as the demand requires but we do have serious competition from the Lake Superior region. They have been mining there for 75 years. They have all the facilities. They have everything. They move their ore down from the head of the lakes and they do not pay any tolls. The ore can move from any place on the upper lakes to Hamilton through the Soo locks,

through the Welland ship canal to Hamilton and there are no tolls. If the tolls are reasonable we can compete but if by any chance someone suggests a toll it could be of a nature that would keep us out of the lake region. We would not be able to compete. We are a high cost area just owing to our geographical location and if the tolls are not reasonable we may not be able to use the St. Lawrence Seaway.

MR. STEWART: Would you expect them to be reasonable?

MR. DURRELL: I have no idea. I am just pointing it out. I think it is something that requires some thought and the reason I do point it out is that I read so much about our development. We have all the ore in the country and we have a corner on the market and so on. Well, that definitely isn't so.

THE CHAIRMAN: It has also been suggested in some quarters that you should have a steel plant put at Shefferville or at Sept Isle.

MR. DURRELL: That has been suggested many times and again that is really hardly possible at this time. We import about one million tons of steel a year. A lot of that is of very heavy shape. I am not a steel man, let me make that clear to begin with, but the heavy shapes and so on comprise a large part of this one million tons that we import and our steel companies, I have been told by executives of the steel companies that it would not be feasible in Canada at this time to build facilities to roll those very heavy shapes. They may have to have some markets and it is also, I understand, much cheaper

to extend existing facilities than it is to build new plants. Now, new plants today -- the Ferrous Works at Trenton is an example and that was for two million tons. A new steel mill of say, one million tons capacity which would take care of our imports would cost over-- again I am quoting other sources -- would cost over \$400 per ton of annual production and if you went to two million tons it could be done for about \$325 of annual production. So it would be more economical if you were going to build one, to go to two million tons and then you would have to export and you could not compete with the United States plants who have been in existence for years, who have all the facilities and have large production a lot cheaper.

Another factor is lack of coal here. Of course, that would not be so serious in the future. Ships taking ore through to the lakes could bring coal back. I think one day we will see it, but it seems to me the existing plants could expand and it would be much cheaper than it would be to build from scratch.

MR. GUSHUE: I was going to ask you if there is any likelihood of coal being found in this area or is the geology against it?

MR. DURRELL: The geology, as we know it, is against coal. We doubt if we will find any coal but we are hoping while we are doing this work of electrical reduction we have some concerns which can lend themselves to electrical reduction. We are hoping to be able to do that some day. It would not be a finished product but you would make something in the nature of pig.

MR. GUSHUE: There was a reference in an

announcement made last week to large quantities of native silver. What is native silver?

MR. DURRELL: Well, you find it in veins in a native state. Sometimes you will find it associated with other minerals like pyrites but native silver you will find in leaf form and also in large chunks in its pure form.

MR. GUSHUE: You have not mentioned that.

MR. DURRELL: I have not known of any silver that has been found to date as yet. It could be someone has found some that I have not heard about.

MR. GUSHUE: There was an announcement made as to some phenomenal find of native silver made by a very important person.

MR. DURRELL: I have not seen it. I heard about uranium.

MR. GUSHUE: Well, the silver announcement was made at the same time.

THE CHAIRMAN: It was made in a very important place too, wasn't it?

MR. GUSHUE: Yes.

THE WITNESS: I understand.

THE CHAIRMAN: Well, thank you very much indeed, Mr. Durrell. This has been an interesting submission. Our only regret is we did not have a chance to go and visit you at Seven Islands.

MR. GUSHUE: I have had several invitations.

MR. DURRELL: We have invited Dr. Gushue up. I have known him for several years and he has a standing invitation. We would be glad to have you up.

Come down there next summer. I would not like to invite you now; you would not like the place.

THE CHAIRMAN: Will we come to order, gentlemen. The next submission will be presented by Mr. Penhale, the President of the Asbestos Corporation. We will mark his brief as Exhibit 194.

I think if you would just start in, we are all ready.

MR. PENHALE: 1. INTRODUCTION

1. General

(a) The purpose of this memorandum is to provide the Members of the Royal Commission with some relevant background material on the Canadian asbestos mining industry as well as setting down my replies to the specific questions on which comment has been invited. It is in no sense to be considered as a formal brief.

(b) At the outset I should perhaps indicate that Canada is the principal asbestos producing country in the world and normally accounts for approximately 60 to 65 percent of the world's supply of commercial asbestos.

2. Uses of chrysotile asbestos fibre

It is not within the scope of this paper to set forth in detail the uses of asbestos fibre or the myriad number of products containing asbestos. The following summary of uses by major groups then is only a guide.

GROUPS 1, 2 & 3 - CRUDES & SPINNING FIBRES

Long asbestos fibre used to manufacture rovings and yarn which are in turn made into such things as packings and asbestos textiles, electrical insulating

materials, woven brake linings, high pressure and marine insulation.

GROUPS 4 & 5 - SHINGLE & PAPER FIBRE

Medium length fibres extensively used in conjunction with other materials to make a great variety of products for the construction and other industries. For example: asbestos cement high pressure water pipe, flat and corrugated sheets, siding and roofing shingles; asbestos paper for gaskets and insulation, etcetera.

GROUP 6 - WASTE

Short fibre for asbestos cement products and paper, moulded brake linings and asbestos millboard.

GROUP 7 - SHORTS

Very short fibre for use as filler in vinyl and asphalt floor tile; in the plastics and paint industries; in automobile undercoating.

It will be seen from the above that asbestos finds its main use as a component in a great variety of materials for the construction industry. The almost universal use of asbestos in brake linings and blocks also makes the automotive industry an important factor in the market for fibre. Packings and friction materials for machinery account for another main category of products which use asbestos. In relative order of importance, the manufacture of the following products consume the great bulk of asbestos fibre.

- (a) Asbestos cement materials
- (b) Floor coverings
- (c) Asbestos paper and millboard
- (d) Packings and friction materials

(e) Asphalt and caulking compounds

(f) Plastic.

The table which follows gives an indication of the importance of the asbestos products manufacturing industry in the United States alone -- Now, do you want me to read this table?

THE CHAIRMAN: No, I don't think so.

MR. PENHALE: It is based on value and it shows that in the United States alone the asbestos products industry, its volume in 1952 which was the last year in which statistics were available, amounted to \$332 million.

3. WORLD DISTRIBUTION OF DEPOSITS

While Canada is the principal source of supply for chrysotile asbestos in the world there are other deposits of major commercial importance in Southern Rhodesia, Union of South Africa, Swaziland, United States, and the U.S.S.R. There are also deposits of lesser importance in several other countries.

4. CANADIAN DEPOSITS

The major asbestos producing area in Canada is located in a narrow rectangle 15 miles wide by 70 miles long in the Eastern Townships of Quebec. Geologically speaking this area is part of the Appalachian Lowlands. In this region seven mining companies operating eleven mines today produce almost 95 percent of Canadian asbestos. Other operating mines in Canada are situated in Northern Ontario near the town of Matheson and in the McDame Lake area of Northern British Columbia.

5. HISTORY OF CANADIAN INDUSTRY

The discovery of asbestos in the 70-mile strip of serpentine rock in the Eastern Townships of Quebec stretching from East Broughton on the east to the town of Asbestos on the west, is generally agreed by various authorities to have been made about 1874. But it was not until 1876 that asbestos was first found in the hills of Thetford and Coleraine townships and from this deposit have grown the extensive operations on the three major producers in this area today: Asbestos Corporation Limited, Johnson's Company Limited, and Bell Asbestos Mines Limited. About a year later near Danville, Quebec, asbestos was also discovered and in 1881 mining operations were commenced in a small way by a man named Jeffrey. The Jeffrey mine has grown into the largest asbestos mine in the world and is operated by the Canadian Johns-Manville Company Limited. The Johnson, Bell and King mines together with the Jeffrey mine of Canadian Johns-Manville are the pioneers of the industry and they have been operating continuously since they were first opened over 75 years ago. 1885 saw the start of asbestos mining in the Black Lake area and it was there in 1888 that the first asbestos mill in the world was erected.

II. STRUCTURE OF THE CANADIAN INDUSTRY

1. General

At the present time, virtually all the absestos produced in Quebec - or in Canada, for that matter - is mined by seven companies. Since the inception of the industry seventy-five years ago, however,

no less than one hundred different companies have been formed to produce asbestos in the Eastern Townships, and forty-six different mines have been operated at one time or another. The seven companies today are: Asbestos Corporation Limited, Bell Asbestos Mines Limited, Canadian Johns-Manville Company, Flintkote Mines Limited, located just outside Thetford Mines, Johnson's Company Limited, Nicolet Asbestos Mines at St. Remi de Tingwick near Asbestos and Quebec Asbestos Corporation at East Broughton. In addition to these, two other important mines are in operation, one in Ontario, the Munro Mine near Matheson, Ontario, operated by the Canadian Johns-Manville Company and the other at McDame Lake in Northern British Columbia, the mine of Cassiar Asbestos Corporation.

In addition to these companies actually mining and milling asbestos at the present time there are two other companies actively developing new deposits with a view to commencing operations within the next two years. These are Lake Asbestos of Quebec Limited, a subsidiary of American Smelting and Refining Company Limited, who are developing an orebody at Blak Lake, Quebec, and National Asbestos Limited, a subsidiary of the National Gypsum Company of Buffalo, New York, who are planning to put a new mine into production near Robertsonville, Quebec. There are several other companies who carry on exploration and development work. A complete directory of all firms engaged in the industry during 1954 is shown in Table 1.

THE CHAIRMAN: May I interrupt there?

Is Lake Asbestos of Quebec Limited, is that the one that used to be United Asbestos?

MR. PENHALE: That is correct. The property has been leased by United Asbestos to Lake Asbestos and Lake Asbestos are engaged at the present time in draining and dredging the lake and will operate the property.

A significant feature of the Canadian asbestos mining industry is that with two exceptions all the producers are either subsidiaries of American or British companies or controlled by them. This is, of course, a direct outcome of the development of the industry whereby in its early dates the only people interested in the exploitation of Canadian asbestos were asbestos manufacturers in those countries or American and British investors with venture capital, a scarce native commodity in Canada at that time.

2. Relevant Statistics

Table 2 attached shows the principal statistics covering the Canadian asbestos mining industry for significant years from 1921 up to 1954. Tables 3 and 4 show the shipments of Canadian asbestos by major groups for the years 1944 to 1954 inclusive.

3. Canada's position in world markets

Canada is responsible for the supply of between 60 and 65 percent of the world's requirements of chrysotile asbestos. The following table is adapted from the U.S. Bureau of Mines Bulletin 552 (1955) and shows the relative importance of Canadian asbestos production in the world.

Now, this tabulation lists some 25 odd different countries, producing, as you will see, largely very small amounts of asbestos and the total in 1953 was 1,375,000 tons of which Canada produced 826,303 tons. I should add here that the figures for the U.S.S.R. are pure estimates and based on what knowledge we had of their industry before the war and we have had absolutely none since.

Over 95 percent of Canadian asbestos output is exported and the United States is by far the largest single market for Canadian asbestos. Domestic production in that country amounted to only 34,000 short tons in 1953 and imports from all sources amounted to 703,000 tons for the same period. Of this Canada supplied 644,000 tons or 91 percent. After the United States the most important geographic markets for Canadian asbestos are Western Europe including the United Kingdom, South and Central America, Africa and Asia, and Australasia. A percentage breakdown of Canadian asbestos shipments by major geographic areas for 1954 follows:

United States	70.0 percent
Western Europe including U.K.	17.2 "
Central & South America	3.8 "
Africa & Asia	3.0 "
Australasia	2.0 "
Canada	4.0 "
	<hr/>
	100.0 "

4. Nature of markets for Canadian Asbestos

(a) Peace Time Markets - As has already been indicated

the prime use of asbestos is in the manufacture of materials for the construction, automotive and machinery manufacturing industries. It stands to reason then that it is in countries undergoing industrial expansion that asbestos finds its most ready market in times of peace.

(b) Wartime markets

In times of war the most vital requirements for asbestos are in the field of marine insulation on naval vessels. Such products as navy cable insulation, navy lagging cloth and high temperature insulation require large quantities of spinning fibre. Long fibre asbestos is also required for the manufacture of woven brake linings for military vehicles, for electrical insulation on military aircraft and for such asbestos textile products as crash suits on naval aircraft carriers as well as airfields, and asbestos mittens for anti-aircraft gun crews.

At the same time there will normally be a curtailment of non-essential construction during the period of hostilities which will of course seriously affect the demand for the medium and short grades of asbestos. It is to be expected that some measure of state control over asbestos production will prevail at such times in order to ensure the supplies of vitally needed spinning fibre.

The fact that the asbestos content of a given deposit varies considerably in length and quality of fibre, not only from one mine to another but also within the mine orebody itself, makes it difficult for

the operator to provide consistent quantities of fibre of a given grade -- particularly spinning fibre which normally comprises less than 4 percent of total Canadian asbestos production. By selective mining and milling the volume of spinning fibre can be considerably increased but only at the expense of depleting the orebody of its future value.

This problem may be resolved to some extent in the future by the development of manufacturing processes which will entail the substitution of shorter fibre in these products, the manufacture of which in war constitutes an abnormal demand for spinning grades. This would enable the asbestos miner to operate more economically in times of war from the long term point of view.

In addition, of course, a major war would probably mean a loss or at least a restriction of important overseas markets.

(c) Other market considerations

Canadian asbestos is normally considered as an essential and thus privileged import in most countries and as such usually enters these countries either free of customs duties and other import levies or at least at a low rate of impost.

On the other hand, overseas markets for Canadian asbestos are subject to the vagaries of international trade particularly with respect to currency problems. Sales are normally made in terms of U.S. or Canadian dollars and in many countries where hard currency expenditures are strictly controlled, import

licenses must be obtained, and are seldom granted in the amounts requested. This is particularly true in Argentina, Brazil, Chile, Spain and Portugal, where it is generally believed that shipments of Canadian asbestos would be considerably enlarged were the customers in such countries able to purchase their full requirements.

Aside from any other consideration, competition from South African and Rhodesian fibre is thus more pronounced in countries whose economy is oriented towards the pound sterling. Similarly national trade policy in certain countries, notably in Europe, has resulted in Russian asbestos competing more extensively with its Canadian counterpart than would otherwise be the case. Russian asbestos is generally sold more cheaply than Canadian as might be expected and is often sold for payment in local currencies under barter or trade agreements negotiated between the governments concerned. Its quality is intrinsically as good but traditionally its preparation for market has lacked the care and uniformity of treatment accorded to Canadian production.

A review, brief as this may be, of considerations affecting the markets for Canadian asbestos would not be complete without some reference to substitute materials. There is a twofold problem here; firstly, materials which enter into direct competition as a substitute for asbestos as a component material in manufactured products and, secondly, the manufacture of competing products which do not contain asbestos at all.

An example of the first class is fibrous

glass ("fiberglass") which has already replaced long fibre asbestos in certain applications such as low temperature and electrical insulation products. The extent to which manufactured products of fibrous glass can replace asbestos products however, is at present limited by the relative brittleness, poor tensile strength and low fusion point of glass.

In the field of construction materials there are, of course, innumerable competing products ranging from mineral wool to wooden clapboard.

I should also state that although the incentive for synthesizing asbestos is certainly present, so far at least little progress has been made. Chrysotile asbestos has been synthetically produced but in minute laboratory quantities only and the chrysotile filaments thus produced were of sub-microscopic size. The difficulty to date has been the ability to develop crystals of a size suitable for commercial utilization.

III. LONG TERM PRODUCTION AND MARKET TRENDS

1. General

Any attempt to evaluate the future prospects for Canadian asbestos must be based on certain fundamental assumptions and perhaps it would be well at the commencement of this section for me to set forth those assumptions which have been laid down by staff of the Commission as a basis for their studies on Canada's mineral industries.

(a) There is assumed to be no change in government policy for the period under review.

(b) It is assumed that the present situation

of international tension, i .e., the Cold war will continue throughout the period being examined.

In addition to these general assumptions, for purposes of forecasting the future production and market trends, it is assumed that synthetic asbestos will not become a commercial reality and also that Canadian asbestos ore reserves (see Section V of this report) which though already adequate to sustain production at present or even greatly increased rates of production for at least 25 years, will be substantially augmented during that period.

It is also assumed that there will be no major political re-alignment of nations which would result in a significant change in present trade patterns.

2. Forecast of production 1965 and 1980

With these assumptions, and taking into consideration the nature of the markets for Canadian asbestos already outlined elsewhere in this paper, it is confidently expected that production and sales of Canadian asbestos will increase 50 percent by 1965 over 1955 figures and by 1980 the increase should be a further 20 percent or an overall increase of 80 percent from today. Table 5 shows these projected figures.

The basis for this optimistic outlook is primarily predicated on the projected economic trends for industrial countries, notably the United States which as has already been indicated is the major market for Canadian asbestos.

3. Geographic distribution of shipments 1965-1980

The geographical distribution of Canadian asbestos fibre sales in the future is not expected to vary appreciably from the present pattern. Improvement in currency convertibility and relaxation of trade barriers of any type would likely result in increased shipments to some areas, notably certain countries in South America. The industrialization of other countries now considered primarily agricultural would also give rise to expanding markets for asbestos products. The overall effect of such factors is difficult to estimate in terms of distribution.

Table 6 shows the anticipated distribution of Canadian asbestos shipments in the years 1965 and 1980 as compared with the 1955 figures.

IV. PROSPECTS FOR FURTHER PROCESSING OF RAW ASBESTOS IN CANADA

1. General

It has already been pointed out that traditionally 95 percent of Canadian asbestos is exported from Canada in its raw state. The remaining 5 percent is consumed domestically by a relatively small but flourishing asbestos products industry. The following table gives some idea of the progress of this industry during the postwar period. This tabulation gives the principal statistics of the asbestos products industry from 1945 to 1953 under headings which show the number of plants, number of employees and so forth.

It will be immediately apparent from the foregoing table that there has been a strong and steady growth in all phases of asbestos manufacturing in Canada

for the period under review and it is confidently expected that this trend will continue in the future. While it is true that this growth mainly reflects the expanding Canadian market for asbestos products there is also a small export market for such manufactures.

The extent to which this export market for Canadian manufactures of asbestos can be expected to expand is severely restricted by a number of factors.

2. Factors affecting the processing of asbestos in Canada

The first consideration is the domestic market for manufactured asbestos products in Canada. It has already been noted that there has been a gradual increase in such market over the postwar period and it is to be expected that as Canada grows industrially so will the consumption of asbestos increase. Regardless of this potentially larger market there will always be a vast surplus of raw asbestos available for distribution and whether it is exported in its crude state or in the form of manufactures is entirely a problem of business economics.

Under present conditions, the large scale processing of Canadian asbestos for world markets is not considered economically feasible for the following reasons:

(a) Asbestos is almost never the main component in any manufactured article; it is only one of several ingredients and usually a minor one at that -- minor in terms of quantity. Other component materials would therefore have to be available in vast quantities at low cost in order that the Canadian manufactured

article could compete successfully with similar articles manufactured all over the world, the cost of which is likely to be low by reason of proximity to the sources of these other more important raw materials. The cost of importing in many cases and transporting these other components which form the bulk of the raw material in the manufactured ~~product~~ would be so high that the Canadian manufacturers would be at a distinct competitive disadvantage.

(b) In the field of building materials, which constitute such an important segment of the market for asbestos, competition from other products is severe and the delivered cost of such products is frequently the deciding factor. Manufacturing plants must therefore locate in close proximity to their markets in order to be competitive. The difference in the freight rate to a given point between raw asbestos on one hand and asbestos cement products, for example, on the other, is sufficient to make the manufacture in Canada of such products for export completely out of the question.

(c) In addition to the question of unfavourable freight differentials which prevail on all manufactured asbestos products as compared with the raw material there would also be an additional cost increment in any manufactured article entering foreign countries which would further reduce its competitive position. This would be in the form of customs duties which are exigible on manufactures of asbestos in all countries whereas raw asbestos generally enters free of duty.

(d) A further deterrent to more extensive

Canadian processing is the huge capital investment which would be required to set up an extremely diverse manufacturing industry in Canada capable of producing the tremendous volume and variety of asbestos products now made in many different parts of the world. The likelihood of such an investment in the face of the difficult marketing problems already outlined would appear to be rather doubtful.

3. Summary

The prospect for the further processing of Canadian asbestos at home would therefore appear to be limited by the demand of the domestic market. However, if the economics of the present situation were to change I think it can safely be assumed that the Canadian asbestos products manufacturing industry would be quick to take advantage of any opportunity for processing Canadian asbestos for the export market which could be undertaken at a profit.

It might be well at this point to inject a note of caution in the event that any action were to be contemplated with respect to the levying of export duties on raw asbestos,--I suppose the word should be embargo or something -- in order to encourage a greatly enlarged domestic manufacturing industry. Such a step would be, in my opinion, unwise - the competitive position of Canadian asbestos vis-a-vis other sources would be jeopardized, the incentive to use existing alternatives for asbestos products would be increased, the chances for the discovery of other substitutes would be enhanced, and the prospect for synthesis encouraged.

V. PROBLEMS AND OUTLOOK

1. Ore reserves and their replacement

The Canadian asbestos mines now have proven ore reserves totalling 575 million tons. A further 379 million tons have been indicated but not thoroughly tested. All but a small part of these reserves lie in the Quebec asbestos district. It is estimated with additional milling capacity now in the construction or planning stage, the average annual depletion rate will be 17 million tons during the next 25 years. At such a rate, in the year 1980, 150 million tons of the proven reserves will remain, and, if we assume that only half of what are now classed as indicated reserves prove to be profitable, proven reserves in 1980 will amount to 340 million tons. With a normal increase in the exhaustion rate after 1980 these reserves should last for another ten or fifteen years.

Thus, if all exploration for asbestos were halted now the industry could conceivably continue to function and even gradually expand its productive capacity for at least forty years. However, exploration is expected to continue and new prospecting methods will likely be found which will enhance the possibility of discovering new deposits under overburden or barren rock capping. Areas now remote from transportation facilities will probably be opened up and there is every likelihood that hitherto unsuspected ore bodies will be found. Furthermore, mining methods should become more mechanized, more efficient and less hazardous, permitting the downward extension of mining below the economic limits now

visualized.

If one reviews the new ore discoveries made in Canada during the past eight years one can hardly be less than optimistic about future possibilities. It is conservatively estimated that 250 million tons of new asbestos reserves have been found in that time alone while less than one-third of that amount has been consumed. Of this new ore roughly 150 to 175 million tons have been found in the Quebec asbestos district. It is not illogical to assume that a comparable tonnage of new ore will be developed there by 1980, extending the life of this district beyond the year 2000.

The belt of ultrabasic rocks in which the Quebec mines occur is almost continuous from Vermont to Newfoundland. Exploration of known asbestos deposits in Newfoundland is presently being carried out.

Another belt of serpentine extends from the Chibougamau area in Quebec, to Cochrane, Ontario. So far, one mine has been developed on this belt at Matheson, Ontario, and other ore bodies have been indicated which may prove of economic importance. Other deposits are being explored in the Grenville dolomites east of the Ottawa River. In Labrador and Northern Quebec, small occurrences of crocidolite asbestos have been found and exploration for larger deposits is now in progress. Travelling westward, one notes extensive areas of ultrabasics in that part of Ontario north and west of the Great Lakes, in Northern Manitoba and a few in Northern Saskatchewan. In all these areas there are sporadic occurrences of chrysotile. Further search may

well develop new mines there. Still farther west there is a belt of serpentine which crops out intermittently from southern British Columbia to the Yukon and asbestos is now being produced from this area. Serpentine is also known to occur around the coast of Hudson Bay and on the Arctic Islands.

From the foregoing it will be surmised that the Canadian asbestos mining industry has little to fear from depletion of its deposits during this century or even beyond.

2. Summary and Outlook

I hope that all of the foregoing will serve to show that the present position of the Canadian asbestos mining industry is fundamentally sound and that so far as one can judge its future seems reasonably well assured. As evidence of the industry's confidence in its own future it may be of interest to note that in the last five years capital projects involving the expenditure of an estimated \$95 million have been undertaken in Canada's asbestos mining community. Adequate ore reserves appear assured and with new uses for asbestos being frequently discovered it would appear that the industry will grow to new importance in the years to come.

However, this overall optimism must be tempered by consideration of certain factors which in the long term may adversely affect the industry.

(a) The competitive position of asbestos as a raw material in many applications is primarily dependent on its relatively low cost. Its cost in turn is to a great extent determined by the price of

labour which normally comprises some 60 percent of total production costs. The fact that labour costs have risen an estimated 160 percent in the industry in the past decade, and the prospect of further increases in the future, gives the industry cause for serious concern lest the accompanying inevitable rise in the price of raw asbestos results in destroying its present competitive advantage.

(b) Canadian asbestos also competes with that from other sources and here too price is an important consideration. There is a real danger of losing some of the present overseas markets for Canadian asbestos to suppliers in other producing countries with lower labour costs and which are closer to the source of demand.

(c) Another problem which faces the industry is the growing use of substitute materials such as synthetic fibres which have already made inroads in certain fields.

(d) Finally, there is always the spectre of synthetic asbestos itself, a product, which though at present does not offer any real threat to the real thing, may in the future become a serious problem.

Like other segments of the Canadian mining industry asbestos mining has benefited from the far-sighted policies of the Federal Government which recognizing the problems of this important part of Canada's economy, have seen fit to encourage the development of mining in many ways, notably by favourable concessions in the field of taxation. Generous rates

of depletion and depreciation together with the three year tax exemption granted to new mines have encouraged development in our field as in many others. The policy of maintaining low tariffs on mining machinery and equipment is also beneficial. Both the federal and provincial Mines Departments render an invaluable service in the charting of areas favourable for prospecting and in many other ways. It is to be hoped that government policy will continue to be as helpful to the mining industry as it has been in the past.

THE CHAIRMAN: Thank you very much indeed, Mr. Penhale. That is a very interesting summary of your industry. I might ask a question or two to start off. I noted on pages 11 and 12 when you were forecasting the future, that the rate of expansion or the rate of increased demand is expected to be higher during the next ten years than in the following fifteen. Is that just because it is a little harder to look that far into the future?

MR. PENHALE: Well, it is possible that it may be a little more difficult to project 25 years than 10 years. We think we can see a little more clearly 10 years ahead, of course.

Basically, I should say that the rate of expansion is hinged pretty closely to the increase in population, for example, and also to the industrialization of certain areas, some countries which are now classed perhaps as backward countries. For instance, in the last few years there has been quite a market for asbestos fibre developed in the Belgian Congo, not that the

Belgian Congo is becoming industrialized, but I understand all industries there involve construction and the development of the country itself involves construction and there are two asbestos plants operating in the Congo today.

THE CHAIRMAN: In your mining methods, is a large part of it open pit mining or is it underground mining?

MR. PENHALE: To a considerable extent it is open pit mining. There are only four underground mines at the present time. We stay in the open as long as we possibly can for obvious reason -- it is cheaper.

THE CHAIRMAN: At the end you were pointing out that of your total costs, 60 percent are labour costs. How does productivity in your industry compare with other comparable industries?

MR. PENHALE: Well, there has been an increase in productivity, of course, brought about largely by mechanization. That increase has not entirely offset the increase in labour costs but we are naturally -- I think every company in the business is -- exploring the possibilities along those lines to the fullest possible extent. It is more difficult for the smaller operator than for the larger one.

THE CHAIRMAN: Are there still further opportunities to mechanize?

MR. PENHALE: Yes, I should say there are. As one's volume increases, of course, from the mine point of view, one can use much bigger equipment, heavier equipment, and consequently that would bring about a

reduction, that is to say, an increase in the productivity per man. It has not resulted in a reduction in the labour force especially but from the labour point of view I should think the possibilities are perhaps -- I don't know that we can go a great deal farther -- we probably can continue to increase in that way but the number of men in our mills today has been greatly reduced by improvement in the type of equipment which we use.

THE CHAIRMAN: You remarked that quite obviously the opportunities for that sort of thing are greater with the larger companies. Just what are the larger companies of the ones you have referred to?

MR. PENHALE: Well, the largest producer in Canada is the Canadian Johns-Manville Company and the Asbestos Corporation is next. Johnson's Company, I think, would rank third and there are three or four others more or less on a par

MR. STEWART: I notice on page 5 your reference to the reasons for the predominance of subsidiaries and appreciate the argument in the final paragraph there, but I notice these two new ones that are coming in are also subsidiaries of American companies. Is Canadian capital just not interested?

MR. PENHALE: Yes, Canadian capital is interested and a good deal of Canadian capital has gone into the increase in expansion of the production in the last two or three years. In one of those two new cases Lake Asbestos is a subsidiary of American Smelting and Refining. American Smelting and Refining are not manufacturers of asbestos products so that will not be

what might be described as an integrated operation, and to that extent they will be a third company; in other words it is not operating a captive mine. The other one, National Asbestos is a subsidiary of the National Gypsum Company and their object in operating this property is primarily to supply their own plants..

MR. STEWART: Will these be large producers, the two new ones?

MR. PENHALE: Lake Asbestos will be a fairly large producer. They are planning to put in a mill rated at 5,000 tons of ore a day, I think, which would put them in the class perhaps as No. 4 or No. 5, perhaps No. 5 in rank from point of view of volume. The other one will not be nearly as large.

MR. GUSHUE: In the figures on world production the U.S.S.R. is shown as the second largest producer. I notice that the figures are estimated but do you regard that as an accurate estimate, accurately based? There are some changes in the years so I was just wondering what the yardstick was..

MR. PENHALE: It represents an increase over the figures that we knew before the war. The last known figure was about 160,000 tons, if my memory serves me right.

MR. GUSHUE: Is there any knowledge as to the supply of asbestos in the U.S.S.R.?

MR. PENHALE: Yes, some of our engineers visited their mining area before the war and we have some knowledge of their ore reserves as they existed at that time and they are very substantial. I believe they

have increased them, that is to say, we know that they have carried on exploration work; in other words (mainly these are located in the Ural Mountains) I think they have developed new areas in the Caucasus. We don't know anything about the volume of the new area.

MR. GUSHUE: That might possibly be an increasing factor?

MR. PENHALE: Oh, very definitely. We are feeling their competition more and more particularly in Europe.

MR. GUSHUE: They are increasing their exports?

MR. PENHALE: Yes, they are. They are increasing their exports to such countries as France, Belgium, Sweden, etcetera, through the medium of these trade agreements which the two governments concerned negotiate. They are really barter agreements, I should think, and as far as the buyer in France, let us say, is concerned, he pays in francs for his Russian asbestos through some central clearing agency and I presume the Russians in the end get ships or something like that.

MR. GUSHUE: As to processing ore, is there any noticeable improvement in the processing?

MR. PENHALE: Yes, there has been an improvement in their grading. Their qualities now are much better. Their preparation is much better than it used to be, and, as I say, the fibre itself is fundamentally a good fibre.

MR. GUSHUE: So you may expect that to continue?

MR. PENHALE: I hope we won't get too much publicity from that statement.

MR. GUSHUE: Thank you very much.

MR. GRAUER: In arriving at the figure of an 80 percent increase for the 25 year period, Mr. Penhale, do you give much weight to the industrialization programme of the so-called underdeveloped countries?

MR. PENHALE: Well, as much as we can intelligently, Mr. Grauer, yes.

MR. GRAUER: Are you anticipating much in that direction? I rather gather you were not, from the text.

MR. PENHALE: Well, it is difficult to assess that. Our experience has been that generally speaking countries where industrialization is just commencing, where development is just under way, more or less our first markets in those countries usually consist of one or two firms engaged in the manufacture of asbestos cement, building material, such as a shingle or flat sheet which goes into construction. That is the natural as a rule, and the consumption is usually quite small for a number of years until industrialization proceeds to a point where many other products are being made particularly machinery and equipment which would require other materials containing asbestos -- friction blocks, brake linings and so on, but our first markets in countries of that nature are almost invariably the small plants making materials for construction purposes.

MR. GRAUER: So you don't expect anything to develop in a hurry?

MR. PENHALE: Not spectacularly, no. In the long run it becomes substantial but it takes a long time.

MR. GRAUER: Are searches for new uses of asbestos a considerable factor in your forecasting?

MR. PENHALE: Yes. It is difficult one on which we were not able to, I don't think, put too great a weight but on the other hand in the past the expansion in the use has been quite phenomenal and if it were to continue at anything like such a rate I think our forecast would have been even larger. Just to cite an example, the industry produces in the ordinary course of its daily operations, a large volume of short fibre which comes out of the spout, as it were, when you are producing other grades that we perhaps feel we need more and the volume of these shorts is quite high. For many, many years, it just went over the belts on to the tailings dump because there was no market for it or at least only a very limited market but since the war there is a large market for that sort of thing going into one product -- more than one, but in this particular case one product, asbestos floor tile. You are all familiar with these square that go on to building floors, etcetera -- so-called asbestos floor tiles which contain about 50 per cent by volume of short asbestos fibre and the market for that sort of thing alone from the point of view of asbestos producers is now up to something like 300 or 400 thousand tons a year which is perhaps 30 percent by volume of the total production.

MR. GRAUER: I suppose the emphasis that

has been given generally to research for new products would automatically benefit your industry?

MR. PENHALE: Oh yes. Of course, that is carried on primarily by the manufacturing companies, many of whom have very large research centres for that purpose.

MR. GRAUER: Would it be fair to say that the 80 percent figure, if anything, is conservative?

MR. PENHALE: Yes, I think it would be. It is sort of a policy. I think it might be interesting to point out that one company alone has in its catalogue, some 2200 different articles using asbestos.

MR. GRAUER: On page 15 you referred to unfavourable freight differentials which prevail on all manufactured asbestos products as compared with the raw material. That is within Canada, of course?

MR. PENHALE: No, everywhere. That is to say, unfavourable as compared with the raw material. We get fairly good rates on the raw material as such and also the manufactured article if it were shipped from, let us say, Thetford Mines where our mines are located to London. It would carry a very much greater freight rate first because of the bulk and the added weight of the other products of asbestos -- cement especially, in Montreal, retains only perhaps 15 percent of asbestos by weight. The rest of it is cement and if we had to bring the cement to Thetford where we have no quarries or no favourable mineral areas for the production of it in Thetford, we would have to pay freight on that and pay it again in its manufactured form to the market. That is what I really mean in a broad way by unfavourable

freight rates..

MR. GRAUER: The raw asbestos is a rather bulky commodity?

MR. PENHALE: It is bulky, yes. Generally speaking by weight it is not too significant a factor in the finished article. Another factor could be in textiles, where asbestos is used in cotton, etcetera. It is not so good an example, perhaps, because there is a larger proportion of asbestos in asbestos yarn than in certain asbestos products.

MR. GRAUER: Who are the two largest Canadian companies?

MR. PENHALE: Asbestos Corporation and Johnson's. I think we should add that Cassiar in British Columbia are not affiliated with any manufacturer. It is a large company to that extent but there is a large amount of non-Canadian capital in it today.

THE CHAIRMAN: Isn't it controlled by Conwest?

MR. PENHALE: Yes. Neumont have recently purchased quite a block of shares and there is a certain amount of British and American capital there too. There are two companies, one British and one American producing asbestos products who have a minority interest in it.

THE CHAIRMAN: Thank you very much, Mr. Penhale. This has been an interesting submission. It will help us very much in our duty to the mining industry. I think we might have a five minute recess.

--- Recess

--- After recess

THE CHAIRMAN: Well, if we may come to

order, gentlemen, the next submission, which we will mark Exhibit 195 will be presented by Mr. Shane of the International Ladies' Garment Workers' Union.

MR. SHANE: I would like to take the opportunity of thanking your Commission for the opportunity extended to me and through me to the International Ladies' Garment Workers' Union and our 15,000 members in Canada, to appear before you.

In my presentation I will attempt to review the background of the economy, organization and development of the women's and children's wear apparel industries, with a view to developing a proper perspective for the evaluation of the industry's economic prospects, with special regard to the outlook for the industry's workers.

The women's and children's wearing apparel industry, for the purpose of this discussion, can be defined as that industry which manufactures all articles of children's, misses' and women's wear other than hosiery, millinery, shoes, pocketbooks and costume jewellery. Its plants and workers produce such articles as coats, suits, skirts, jackets, dresses, blouses, undergarments, nightwear, beach wear and similar items. For the sake of brevity, hereafter this industry will be referred to as the ladies' garment industry.

Production of clothing generally, and of ladies' wear specifically, under modern economic conditions, is a major branch of economic pursuit. No longer are our families dependent on production of clothing in the homes of the wearer. Instead, factory

made garments have become the principal source of supply. Thus, over the years, manufacture of garments has become an essential and integral part of our economy. As I will attempt later to show, the development and growth of manufacture of ladies' garments is intimately tied up with the general welfare and expansion of the Nation. There is no question but that in examining economic prospects of Canada, consideration of the ladies' garment industry has a rightful place. Its development and growth is in the national interest and the conditions which would insure and enhance its growth deserve full recognition.

1. ECONOMIC ORGANIZATION AND DEVELOPMENT OF THE LADIES' GARMENT INDUSTRY

The latest comprehensive statistics for the ladies' garment industry are available for 1954. However, they adequately portray the current economic picture of the industry.

In 1954, according to the Dominion Bureau of Statistics, there were 1022 establishments producing the various ladies' garments. They employed on the average 37,587 persons and their sales volume, at wholesale valuation, amounted to \$284,391,320. The total payroll of the industry amounted to, in that year, \$80,032,829. Of this amount, approximately 75 percent was paid in wages to production workers, and the remainder to salaried employees, including executives.

It is apparent from the examination of the data gathered by the Dominion Bureau of Statistics,

that it fails to cover the smallest firms. Thus, in actuality, the number of establishments in the industry is much higher than that shown by government statistics, although it is doubtful whether the number of workers and payrolls will be materially larger, due to the small size of the omitted firms.

In addition to workers employed in factories, the industry also employs industrial homeworkers. Unfortunately, there are no statistics available on their numbers. Their relative importance varies, of course, between the different segments of the ladies' garment industry. In some branches of the industry, industrial homework is non-existent at the present, while in other sections, a fair number of industrial homeworkers are employed. The evaluation of their numbers is furthermore complicated by the fact that the turnover among industrial homeworkers is very large and because many of them do not work on a full time basis. All told, it is questionable whether, on the average, there are more than three to four thousand part-time industrial homeworkers.

The average firm in the ladies' garment industry is small. It employs approximately 37 persons. Because of the relatively small size of establishments, their principals take an active part in management, either as salesmen, designers, production men or foremen. In some instances, the owners of the firm actually do the same work as production workers, principally in the occupation of cutters and graders.

In the main, industrial production of ladies

garments is carried on in a few principal cities. The major single production market is Montreal, which accounts for approximately two-thirds of all Canadian establishments and workers in the industry. The other centres of production are Toronto, Winnipeg and Vancouver, with a scattering of establishments in other areas.

The major branch of the ladies' garment industry manufactures dresses. According to the Dominion Bureau of Statistics, its 1954 shipments amounted to \$77,232,517. The next largest division of the industry produced women's coats and suits; its volume was \$53,318,854. Establishments making children's clothing shipped \$44,425,468 worth of goods, those producing women's skirts, blouses, slacks and jackets \$37,090,518, while those manufacturing women's lingerie \$32,419,781. Shipments of the corset industry amounted to \$21,351,495, and those of miscellaneous women's outerwear, not separately accounted for, \$18,552,687.

A substantial number of workers in the ladies' garment industry of Canada are members of the International Ladies' Garment Workers' Union. The Union membership has been growing steadily in the last two decades. Yet, there are still a number of branches of the industry which are not substantially organized. In the main, the members of the ILGWU are producing coats, suits, dresses, blouses, skirts, jackets and similar items of outerwear. Those branches of the industry which produce these items are substantially organized.

Over the years, the Union succeeded in establishing a pattern of sound and peaceful labour relations in the industry and to win for its members substantial adjustments in the form of higher wages and shorter hours. In addition, the Union succeeded in gaining for its members numerous other improvements in working conditions and social benefits. Health-and-welfare funds, financed by employers, were established. They provide sick benefits up to \$15 a week, hospitalization up to \$7.50 per day, surgical services up to \$50 per case and one and two weeks' paid vacations. In addition, retirement funds have been created, with benefits of \$50 per month for workers over 65, and after the age of 60 for those permanently disabled. Death benefits of \$1,000 are also provided for the entire membership. In Montreal, the Union succeeded in establishing a medical clinic, also employer financed; it provides free examinations and treatment to organized workers in the industry. All of these social gains were won through negotiation, without resort to strikes.

The advances made by members of the International Ladies' Garment Workers' Union in Canada can be seen, in part, from the indices of wage rates compiled by the Department of Labour. Thus, in the ladies' dress industry, these figures show that wage rates in 1954 were 135 percent higher than in 1939, while in the coat and suit industry they were 152 percent higher than in 1939.

The ladies' garment industry shows a healthy advance by comparison with the pre-war period.

Between 1939 and 1954, the number of establishments approximately doubled. Most of this growth occurred during the war years. After the war, the increase in the number of establishments continued through 1951, although to a relatively small degree and, thereafter, it actually declined. Employment as well as volume, however, continued to advance, through 1953. In 1954, employment was approximately 3 per cent lower than in 1953, although the volume of business declined by only one-third of one percent. This slight drop in volume occurred at the time stringencies developed in the consumers' ability to buy and when the number of persons with jobs also declined. The available evidence indicates that the industry recovered its temporary losses in business and workers regained lost employment in 1955.

The patterns of change in the different branches of the ladies' garment industry are normally far from uniform. There always is a fair amount of competition between the different products of the ladies' garment industry. Fashion accounts for this. Thus, for example, at one time, women preferred to wear one-piece dresses and not blouse-and-skirt combinations. At other times, their preference shifted. Changes in this pattern of life also affect clothing habits of the people. With development of television, for example, living habits changed. Entertainment shifted to the home and this, in turn, negatively affected sales of party clothes, and increased the demand for housecoats and lounging clothes. The

growing informality of life also created an increased call for play and sport clothes, slacks and similar apparel, and depressed the demand for the more formal clothes.

Apparel industry must also compete for the consumer's favour with all other sellers of goods and services. During the war years, when many hard goods were unavailable, production and sales of all apparel, including ladies' wear, showed an unprecedented growth. Incomes of consumers were running high. The dollars they might have otherwise spent for cars, refrigerators, and other durables, were diverted to the purchase of clothing. When hostilities came to an end, it took some time before hard goods became available in full supply. However, as they became plentiful, they cut into the sales of clothing. Although the relative importance of consumer expenditures on clothing shrank somewhat, with the continued advance in personal incomes the overall volume of ladies' garment sales was kept up. At this point I would like to draw your attention to several tables attached to the memorandum which I filed with your Commission. They are the principal statistics for the several branches of the ladies' garment industry beginning with the year 1939. These figures might be helpful to you in evaluating this line of manufacture. I shall omit reading them, of course.

Aside from the competition of other products, our industry also has to face foreign competition. Data on imports and exports of clothing, published by the

Dominion Bureau of Statistics in its reports on production of women's and children's factory clothing, show that imports into Canada exceed by far the volume of exports. In 1954, for example, imports were given as \$57,118,733 and exports, by contrast, as \$1,329,128. It is thus apparent that apparel imports are not counter-balanced by apparel exports in any appreciable amount. The lack of balance between imports and exports of apparel also demonstrates that Canadian-made garments are produced virtually exclusively for the domestic consumption and that the domestic industry must be geared to withstand the full weight of foreign competition. The problem is made somewhat more complex by the fact that over one-half of foreign-made garments are brought into Canada by returning Canadian residents.

Figures on the import and export of garments, are attached to my statement.

Despite competition from other goods as well as from foreign-made apparel, Canadian ladies' garment industry made notable strides by comparison with the pre-war. For example, while personal incomes in Canada, between 1939 and 1954, increased by approximately 321 percent, the dollar volume of the ladies' garment industry went up by 373 percent. On the other hand, personal incomes in 1954, in comparison with 1947, were 75 percent higher; but the ladies' garment industry volume, due to outside competition, gained only 48 percent.

Conclusions on the rise in the consumer demand for apparel, with the improvement in their

economic status, are validated by the examination of data on the quantities of garments produced. Thus, for example, there were 48 percent more coats produced in Canada in 1954 than in 1939. However, dress production increased by only 13 percent. This relatively poor showing is understandable in the light of the shift in fashion, which placed a much greater stress on suits, blouses and skirts. The 1954 output of suits was $3\frac{1}{2}$ times as great as in 1939. The output of blouses and skirts was nearly 7 times as large. In the temporary sway of fashion dresses lost out, although at the present time their comeback seems in the making.

A different view of garment production may be obtained by comparing changes in output in relation to the number of potential consumers -- women and misses 14 years of age and over. In 1939, for every 100 potential consumers, the industry produced 28 coats; in 1954 it made 32. On the other hand, dress output, per 100 consumers, declined from 254 in 1939 to 219 in 1954. This loss, as previously pointed out, was made up by advances in the production of suits, blouses and skirts. In 1939, only 5 suits were produced per 100 potential consumers, while 14 suits were produced in 1954. The output of skirts went up from 13 to 67 per 100 consumers and blouse production rose from 33 to 172.

Admittedly, the per-capita output of coats, dresses and suits was somewhat larger in the immediate post-war years than in 1954. At that time, competition from the durable sector of our economy was not as yet

fully felt. It may be worth noting that blouse and skirt production, on a per-capita basis, did not falter in the post-war years but continued to rise to the present day. The specific figures on the changed per capita production of the different garments are shown in the table attached to my statement.

There can be little doubt that the welfare of the ladies' garment industry is intimately tied up with the continued advances in the personal incomes of the Canadian population. Even though in the post-war years, the industry had to face increasing competition from durable goods and from foreign imports, it was able to maintain and enhance its volume of business, increase its employment levels and, through collective bargaining, improve the economic conditions of its workers.

2. PROSPECTS OF THE LADIES' GARMENT INDUSTRY

Several factors can ensure the continued advance of the ladies' garment industry of Canada. It is obvious, for example, that the potential markets for clothes are dependent in part on the further growth in the nation's population, whether natural or through immigration. With advances in the overall industrialization of Canada, the need for manpower may exceed the available supply of workers. To the extent that immigrants may be called upon to close the manpower gap, they and their families will unquestionably provide the ladies' garment industry with additional customers for its products.

Of course, the increase in population, to

serve the best interests of the nation, must also be accompanied with rises in personal incomes and an increased diffusion of the gains of social progress among the broad masses of the Canadian population. Every measure which will strengthen our agriculture and insure adequate incomes to the farmers will inure to the benefit of the ladies' garment industry. Every measure which strengthens the purchasing power of employees in manufacturing, trade and services will inure to the benefit of the ladies' garment industry. Every measure which tends to reduce the substandard levels of living and to alleviate the conditions of the lower-income groups in the population will inure to the benefit of the ladies' garment industry.

If women and children of this nation are to be properly clad, the expansion of the levels of income is a pre-requisite. If our industry is to prosper, the nation and its people must be prosperous. Only thus will the average family be able to afford proper clothing, not only from the standpoint of utility, but in terms of the kind of variety and style which we associate with prosperous communities.

In view of the importance of the ladies' garment industry in the economic life of Canada, several proposals are advanced for your consideration. The first group of these deals with some measures designed to strengthen the present position of the domestic industry. The second group of these proposals deals with some of the measures designed to strengthen the economy and the purchasing power of the people of Canada.

a. Safeguarding Canadian ladies' garment industry

The ladies' garment industry of Canada faces today several problems which must be dealt with and controlled, in order to insure its normal and healthy expansion.

To the extent that industrial homework still persists in the ladies' garment industry of Canada, it creates an important social hazard. Industrial homework is an evil. It undermines, despite its relatively

small importance, the standards of production in the industry. It enables some persons to exploit the homemaker by paying him far less than the prevailing wage, and, in such manner, to compete unfairly with other manufacturers in the industry. At the same time, the home life of the industrial homemaker is destroyed. The home becomes a place of production. Family responsibilities cannot be carried out. Children are neglected and instead of a normal childhood, are forced to aid the adults because of insufficiency of compensation for this work.

It may be worth noting that in the United States of America, under the provisions of the Fair Labour Standards' Act, their federal Minimum Wage Law, homework in the needle trades has been virtually outlawed. The experience of our southern neighbour in this regard may be very useful in the consideration of the same problem in Canada. We, too, need to protect the home and banish this evil from our scene.

The second problem which is of importance to the welfare of the ladies' garment industry deals

with importation of foreign merchandise. In the last two years, Japan has stepped up its exports of apparel. In the case of ladies' garments, the most notorious case is that of cotton blouses which were dumped in large quantities on the Canadian market. These garments sell at prices completely out of line with those at which the domestic industry can produce them. Following an unfavourable public reaction to a rapid step-up in Japanese imports of clothing into Canada, the Japanese government itself has temporarily restrained such exports to this country. However, the ladies' garment industry cannot depend on the goodwill gestures of a foreign government, which could be modified unilaterally at a moment's notice. It is important for your Commission to look into this problem in order to devise better means of protecting domestic industry.

There is another problem in connection with imports. I am referring to the occasional dumping of garments on the Canadian markets by manufacturers from the United States. This is done when a manufacturer on the other side of the border finds himself with an overstock and wishes to clear his racks, in preparation for the next season. When such goods, which are sold at less than cost, reach Canada they help to disrupt normal business operations of the industry and create havoc in the trade. This problem also deserves attention.

b. Measures to strengthen the economy and purchasing power.

The consideration of measures needed to strengthen the economy and purchasing power has to take account of the changing pattern of national life. The

Canadian nation is rapidly expanding into one cohesive whole. This reflects itself not only on the international and national scene, but most assuredly on the industrial scene. Similar products made anywhere in Canada are in free competition with each other. Geographical distance has, by modern invention, been reduced so that garments made in Montreal compete with garments made in Toronto, Winnipeg and Vancouver. They are purchased by the same outlets throughout the country and are marketed uniformly.

Consequently, conditions of labour, minimum wages and average earnings should tend towards greater uniformity through the nation. Otherwise, industry will be faced with sharpened unfair competition. There exists, therefore, a distinct need to review the existing relationship between the Federal and Provincial authorities in order to develop national legislation which would insure a greater uniformity in minimum wage and other labour standards. In this way, a fair basis of competition, in terms of labour standards, could be established throughout Canada.

Steady improvements in the wage standards of Canadian workers raise their purchasing power and help to provide a solid foundation for a sustained and ever-increasing demand for goods and services. Increasing the wage levels does perform, however, an additional important function by stimulating the search for greater efficiency in industry to offset higher costs.

I was listening interestingly to the gentleman preceding me. It was the high cost of labour that

forced them to look for better means of production efficiency. That is our point. The heightened levels of productivity, in turn, pave the way to further economic and social progress. Progressive improvement in labour standards and compensation must therefore form the foundation of a sound governmental policy.

In our present complex industrial set-up, individual bargaining between the worker and his employer has been increasingly replaced by collective bargaining. It is generally recognized that such collective dealings protect employees and ensure equitable distribution of the proceeds of industry among all parties to the production process. Collective bargaining, therefore, should be promoted and employers required to negotiate in good faith. Conciliation and arbitration procedures should be completed within a reasonable time. Dilatory practices, occasionally resorted to by employers and which draw out negotiations, conciliation and arbitration, so as to frustrate collective bargaining, have no place in labour relations and ways should be sought to prevent their occurrence.

A serious flaw in labour laws is the absence of any provision which would compel an employer, who unjustly discharges an employee for Union activity, to reinstate him with pay for the lost time. The absence of such a provision puts a premium on unfair conduct on the part of an employer. And here I may say that that premium is put on the one that does not wish to live up to the law. The law-abiding citizen, the

employer who deals fairly with his employees is at a disadvantage in this case and it should be noted. The enactment of such a provision would, on the other hand, discourage employers from discharging workers who engage in legitimate union activities.

The right of an employee to earn his livelihood in his own country is a sacred right. No employer should be encouraged for his own selfish reasons, to interfere with such right without just cause. This is why the existing law, which clearly establishes that employees have the free right to join a union of their choice, should be strengthened by preventing employers from discouraging organization and from discharging employees who engage in Union activity.

Consideration also should be given to the need for fair employment practices legislation. In recent years, Canada has made great strides in promoting and developing fair employment practices. However, there is a distinct need to implement the current policies in order to promote non-discrimination in industry. Whenever discrimination in employment on the basis of race, creed, or colour does occur, it brings in its wake dissensions and antagonisms detrimental not only to the well-being of the particular industry or firm where it takes place, but to the welfare of the nation as well. One effect of discriminatory practices is to create an outlaw class of citizens who cannot utilize their maximum skills and who are forced to eke out their existence at inferior standards. There is no room for such practices in our midst.

The present memorandum does not seek to exhaust the discussion of the different measures which could be advanced to improve the levels and distribution of personal incomes, inasmuch as representatives of the Trades and Labour Congress of Canada and the Canadian Congress of Labour will cover the matter in greater detail.

Thank you, Mr. Chairman and gentlemen, for this opportunity.

THE CHAIRMAN: Thank you very much, Mr. Shane.

MR. GRAUER: Mr. Shane, on pages 2 and 3 you deal with a number of establishments and the employees and you find that there are over 1,000 firms which employ approximately 37 persons on the average.

MR. SHANE: Right.

MR. GRAUER: In that picture, what is the dispersion? Are there a few big ones and a lot of small ones?

MR. SHANE: Well, I am glad you asked that question because you might get a better picture of the general situation. We have establishments that employ somewhere between 300 and 500 people but we also have plants, some that have been left out, that only employ two and three persons. On the whole this is the picture but we have some very large establishments in our industry.

MR. GRAUER: On page 10 you deal with the homemaker and you suggest that it might be virtually outlawed as it is in the United States. If that were so would that raise the costs for the industry or is it

a matter to eliminate certain people within Canada?

MR. SHANE: No, we have tried to control this homework in the dress industry in Montreal. It prevails more in the dress industry than in any others. No, it would not raise the cost. As a matter of fact, when garments are on the market, the predominant number of garments are made in legitimate shops with workers on the inside, wage schedules have been established and that is the price that governs the sale of the garments. What it does do is to give an opportunity to some unfair employers (I could use harsher words) to try to utilize the poverty of some people, especially mothers who would find it difficult to hire somebody to take care of the children, to utilize their plight and they not only send out work but they have to be made in these homes at a low price, a very low price. They pocket the difference. Where this exists we are trying to control it under the Labour Union Extension Act in Quebec and we are forcing employers to pay a little higher wages to these people as much as can be controlled in the home (it is very hard to control it in the home); if these mothers go to the shops, they earn a fair living, hire somebody to take care of the children and put them into a convent. They have better working conditions and there is no more of this competition. It really gets rid of a type of unfair competition without raising the cost.

MR. GRAUER: I was very interested in your remarks and proposals on page 12. It seems to me that the more intelligent trade union leader and business

leader could get together on those things. However, there are some difficulties on both sides, as you probably are aware. For instance, with respect to more uniform average wages across Canada which you mention, I know there is a tendency in some of the unions in British Columbia, for instance, to say that they should have higher wage rates than the rest of Canada because they have had them over a certain period of years. At the same time, of course, they want the same wage rates as the United States unions across the line. You run into also the question of greater efficiency to offset higher labour rates, considerable differences in the attitudes of certain unions on that point. These are a few of the difficulties involved in a field which I think fundamentally there should be no problems in, but there just seem to be, being what they are on both sides.

MR. SHANE: Well, there I might say we have made considerable progress in our own ranks. I read about the time when the weaving machines were broken down in Great Britain because they were depriving people of work. We are progressing. We feel that we cannot stop progress. As much as possible we try to co-operate with our own employers to put in efficiency. There is one thing though, we have to bear in mind. As these technological advances keep up there will be displacements. People will be losing jobs. The country as such must bear that in mind and try to create opportunities for re-training and not to deprive their families of a living. That is our point of view. We can't say

that that would be the viewpoint of everyone in the different union branches but I believe the majority would think in those terms.

MR. GRAUER: On the same page you speak about steady improvement in wage standards of Canadian workers. There again I don't think there would be any difference of opinion depending upon how sharp the incline of improvement were to be. What I have in mind there, and I would like to get your views on this if you wish to express them, is the other groups. If a rise in cost does go to the extent of meaning some rise in price level, then, of course, a lot of other groups in the nation are affected adversely, particularly people with relatively low income or fixed income or pensioners and small shopkeepers and farmers, etcetera.

MR. SHANE: Right.

MR. GRAUER: There should be some protection for them in this general picture. How do you see their lot working out?

MR. SHANE: I believe I have mentioned that. I have mentioned that our prosperity depends on the fair income of the farmer. It depends also, or rather we say there that our industry will prosper more if the low income groups, their plight, is eliminated. I believe we would even benefit by the fact that their income was improved but I do believe -- of course, when the cost of living goes up we feel that we ought to be compensated. That is universal in the labour movement. We think we ought to be compensated but we also feel that not only that, but as technological

improvement brings more things and services to the country we want to share in it and therefore our income must increase to the point that we should be able to buy these things. The way it could be done as I said -- well, there is the technological improvement. Part of that benefit from the technological improvement should revert to the working people who are producing the items involved.

MR. GRAUER: I don't think there would be any difference of opinion about that but the problem seems to be that if prices tend to go upwards then, of course, these groups I was speaking of, their position gets worse.

MR. SHANE: They should be improved.

MR. GRAUER: We all agree verbally to that but how do you do all those things at the same time? It is a question of how do you share the increased productivity. That is where it has to come from.

MR. SHANE: Well, I am not any economist. On that I would have to ask our Research Director. We should go into very technical statistics and all of that. As a trade union leader I am not able to go into that. I think the Chairman could do a better job of that but our way is if these people were organized -- I am not speaking of the pensioners, the Government has to take care of them, but I will take the white collar workers. They are underpaid, they need unions and generally I think the prosperity of the country would spread to them as well.

MR. GRAUER: Well, it is not part of your

views, I suppose, that a rising price level is a good idea, or is it?

MR. SHANE: No, I don't know if I could go into that, as I said, not being an economist, but I do know we were much better off in 1955 with higher prices than we were in the '30's.

MR. GRAUER: There is no doubt about that. I guess there will have to be some degree of reasonableness shown all around.

MR. SHANE: That is right, there has to be reasonableness.

MR. GUSHUE: You referred to the dilatory practices of some employers in arbitration proceedings. Is that serious?

MR. SHANE: It is very serious. Here is the problem. We go out trying to organize a plant for them to join a union. Where we have an organization we can somewhat control it but when we go out for new organization we tell the people: "The law gives you the right to join a union of your choice and you are protected thereby". But on the other hand it is true the employer is not permitted to discharge under the laws of most of the provinces, not permitted to discharge for union activity. Then, some of the employers will find excuses and discharge. We are not able to reinstate. That is one point.

Secondly, when we speak of the dilatory tactics, they start negotiations; the employer has to go out of town and then when you ask him to meet next week, his counsel is out of town and a week after he has

a buyer in the plant and he keeps on delaying. We have four or five weeks pass by before we first see the man. Then, we see him in conference and he says: "Well, I think you are reasonable, but I have got to think it over". And the next conference is four weeks from then and then once we are agreed we go into the conciliation and the details and again arbitration. By the time we are through it takes nine months or ten months or a year. We have lost our members. They have lost time, they have no faith any more in the union being able to help them. That is the sort of dilatory tactics I was referring to.

MR. GUSHUE: You think the only way to overcome that is by legislation, effective legislation?

MR. SHANE: Yes, effective legislation and administration. You can be certain -- there has to be a full agreement. I can't say there are no delays but within reason.

MR. STEWART: Is the employment regular throughout the year or is it sharply seasonal?

MR. SHANE: No, it varies. Of course, during the war we had it 52 weeks of the year. Even as late as 1949, especially 1949 which was the highest peak in employment -- it varies according to these industries. Some will work 52 weeks of the year, some are highly seasonal to the extent that they may only work eight months of the year.

MR. STEWART: I gather that the homemaker is more common on the dresses?

MR. SHANE: Right.

MR. STEWART: Is that a highly seasonal activity?

MR. SHANE: Yes, dresses are seasonal. Not quite as seasonal as the coat and suit industry but it is quite seasonal. They usually go into cheaper lines of dresses and they send out certain garments that they know they can take time with.

MR. STEWART: These are women mainly who do homework?

MR. SHANE: Yes.

MR. STEWART: How far is it necessary for them to work in order to augment the low earning of the man in the home?

MR. SHANE: It is not possible for us to state but we have tried to investigate especially through the Joint Commission of the Dress Industry in Montreal. There are many women who are working only to supplement the earnings of the husband so as to buy additional trinkets. Some of them need it. We have found in one instance in St. John's, Quebec, a banker's wife was a director for homeworkers. She was supposed to get a certain price which was set by the Commission and in return she paid the homeworkers almost half of what she was getting for it. I don't know if that is essential.

MR. GUSHUE: Is it usually paid on a piece work basis?

MR. SHANE: On a piece work basis.

THE CHAIRMAN: On that question of prohibiting homework and your other suggestions about

a national minimum wage and other labour standards, I suppose you are up against the problem of the constitution in those questions?

MR. SHANE: You mean the Canadian Constitution?

THE CHAIRMAN: Yes.

MR. SHANE: Yes, that is all we are suggesting, that there should be some understanding between the provinces and the national government and we hope that you, looking into that question and making your recommendations, will help along that line.

THE CHAIRMAN: When you dealt with the problem of importations from Japan, the possibility of very substantial increased importations from Japan was raised on Monday at these proceedings by some of the textile manufacturers.

MR. SHANE: Yes.

THE CHAIRMAN: Who said that they did not feel that that problem could be dealt with by tariffs, that you could not put them up high enough to keep the Japanese goods out and the implication was that the only way of being able to handle it was by quotas or embargoes of some kind. Would that be your view?

MR. SHANE: I think it would be partly right. To give you an illustration, recently we have really suffered from importation of blouses. They brought them in in hundreds of dozens and the price was \$5.60 for a dozen blouses complete in Japan. The material itself, of course, would cost about that much and labour would be that much and that labour, the kind of labour

they put in it, I don't know if you put on a tariff if we would be protecting ourselves. As in the case of dumping, you see dumping too is not a case of tariff. You have to judge garments as to what they are worth before they come into this country and then the tariff can cope with it. The same applies in this case. The government would have to judge what is that garment worth and how many can they bring in. Well, if they judge them at the right price and see that they bring them up to the level then we can compete with them. We have our efficient operation providing they have to pay labour as much as we do or the material is about the same, but the way it is today we can't compete with the little girl who is rented out by a father for the year. We get paid by the hour and time and a half for overtime.

THE CHAIRMAN: Well, thank you very much, Mr. Shane, not only for your interesting submission but also for the very full way in which you have answered the questions that have been put to you. We are very grateful to you.

We will adjourn until after lunch, until 2.30.

(At 12:45 P.M. the Commission adjourned until 2:30 P.M.)

AFTERNOON SESSION

APPEARANCES

Mr. R. E. Powell, President,
Aluminum Company of Canada

Mr. W. Taylor-Bailey, President,
Dominion Bridge Company Limited

Mr. G. H. Dagneau, Secretary,
Association Professionnelle des Industriels.
Mr. Claude Lavery, General Secretary.
Mr. Marcel Allard, Vice-President
Steward Biscuit Company and Director
Association Professionnelle des Industriels.
Mr. Roger Regimbald, Director.

Mr. O. Harold Fisk, President,
Canadian Forestry Association.
Mr. J. L. Van Camp.

THE CHAIRMAN: Well, shall we come to order, gentlemen? Mr. Powell, it is very nice for us to be able to welcome you to the proceedings of this Commission and to have this opportunity of thanking you and your company for the help that they have been to the staff of the Commission. We are looking forward to this submission of yours very much, which we will mark Exhibit 196 and if you would like to start right in, we might as well get started.

MR. POWELL: I am sure you don't want me to read it. I am sure I don't want to read it.

THE CHAIRMAN: Well, we have read it.

MR. POWELL: I would like to say, Mr. Chairman, on behalf of the Aluminum Company of Canada and on my own account that I appreciate very much the chance to unburden myself. I think it is a great idea

to give the people of the country a chance to, shall I say, grouse, if you know what that word means.

The terms of reference and the things you have undertaken to do are so broad it seems to me that it would be too much for me here to do anything but concentrate on one or two points and with your permission I will, as I said, not read this at all, but I will concentrate on one or two points. Is that satisfactory?

THE CHAIRMAN: Fine.

MR. POWELL: The point that seems to me to be timely and of some importance to this country has to do with the export trade. During the recent days of scarcity in this country and elsewhere I have been struck with the attitude of some people in this country who seem to believe that we should satisfy home demands first at all times and if there is anything left sell it to the foreigners.

At first that seems to be sound and perhaps in the interests of the country but I suggest that it is not in the interests of the country if this country wants export trade. It is unthinkable to me that a foreigner will depend upon Canada to any extent if in times of scarcity he is going to be, if I may use the expression, "let down".

I don't belong to the school of those who would have Canada be, as someone said, "hewers of wood and drawers of water" -- not at all. In fact my company has pursued quite a different course although it is in a unique position.

My company imports all of the raw material

it uses -- all of the raw material it uses, referring to ore, and I have often wondered what was the attitude of the people of the countries in which that ore existed -- if they should take the attitude that "we will export to Canada only when we have surplus beyond our local requirements". Of course, the local requirements at this time are not much but Canada herself must have raw materials, we must have raw materials. The ore we import is processed here and I have never heard residents of the country from which that ore comes present themselves to be "hewers of wood and drawers of water". The only reason there is an aluminum industry in this country is, of course, the consumption of power, the very high consumption. Our people estimate that we ordinarily use one-fifth of all the power generated in this country and the per capita generation in this country is quite high. We bring ore and other raw materials to Canada, convert them into aluminium which becomes a raw material from many others. From the beginning it was our policy to attempt to create markets. Someone called these attempts to create secondary industries. We, for example, were the first to convert crude aluminium into foil which has grown to be a great industry not only in this country but in other countries. For years we were the first and the only ones. Now there are three or four others.

We were the first to make aluminium cable, now generally used for high tension transmission lines. Now, there are three or four others making the same product and in competition with us. We were the first

to extrude aluminium in this country. Now there are half a dozen extruding aluminium. I think we were among the first, if not the first, to make aluminium windows. Now there are dozens of them.

Of course, I believe that there should be secondary industry in this country but I suggest it is not in the interests of the country to have these small industries forced into being. I contend that they should come into being and exist only when they may do so soundly.

Returning to the question of export, it seems to me that Canada has got to make up its mind if it wants to be a great trading nation internationally or if it wants to concentrate on home trade. In times of scarcity, as with aluminium, the demand seems to be much greater than it really is, the local demand. For example, there is one manufacturer in this country whose business is growing very rapidly. It is growing because his competitors throughout the world cannot get raw material with which to compete with it and to an unlimited extent, therefore, as he gets raw material he can capture the whole market temporarily but only temporarily.

Well, I contend that if Canada wants to be an exporter on a scale it has got to be more than a fair weather friend. It must stand by those who depend upon the country in times of scarcity and in times of plenty and if those who depend on Canada be it for aluminium or for anything else, if those who depend upon Canada are let down, if I might use that expression, when there is a great scarcity, there

certainly will be an attempt during times of plenty to find other sources of supply. I feel strongly about this, that the country should make up its mind if it wants a great international trade or if it wants to take in its own washing.

Naturally I believe in international trade and I believe that it is in the interest of this country to have international trade. I also believe that it would be better for this country and other countries if the obstacles standing in the path of international trade should be made fewer or eliminated but I also recognize that Rome was not built in a day and that free trade is perhaps too much to expect, certainly in the near future.

As I say, there are many other phases of my business and of all business in general which I could discuss but the field is so broad that I would prefer to turn to only one other subject and that has to do with hydro electric power. It seems to me that many people in Canada have developed a feeling that water power no matter where or no matter in what quantity is a great and valuable asset. I think that may be a very dangerous attitude for this country to have. It is true that much water power is cheaper than power from other sources but it is also true that power from other sources -- and I don't refer to atomic energy -- can be less costly than power from falling water.

I have in public referred recently to the Lachine Rapids -- Lachine Rapids practically in the City of Montreal with power potential of hundreds of thousands of horsepower and yet not developed and the reason I

understand is that it is too costly. On the other hand, there are great rivers like the Hamilton River in Labrador and many in British Columbia, in Quebec too, which are cheap but it seems to me that the country should recognize that there are competitors and in the United States there are ardent and vocal advocates of power from coal at a cost which compares with some hydro electric power now being developed in this country.

Great mistakes have been made by other countries which have got to a point of belief that they had a monopoly in a given field and even though my company has been accused of being a monopoly, which is not true, of course, I contend that a monopolistic position is fully a benefit to the alleged beneficiary, if he is a beneficiary, as well as the community as a whole. This, of course, is a subject interesting to me because it is the reason my company is in existence in Canada.

Now, this lengthy brief prepared by my associates will explain much of the business better than I do, and is offered to supply greater details of the existing aluminium business and what the prospects for that business are.

Perhaps I can summarize a little by saying aluminium is one of five or six leading commodities exported by this country referring to value. Newsprint comes first, lumber and timber second, wheat only third, pulp is fourth, nickel and aluminium are about neck and neck. One year we were ahead and last year nickel had a slight edge on us as to value of exports.

On plans for expansion we have provided

for expenditures of very large amounts. By 1959, I think, we will have spent for ten years ending then, about \$1 billion for fixed capital in this country and to justify this expenditure, of course, we must sell on a great scale. At no time has Canada been able to use as much, perhaps not more, than 15 percent of our output and if that pattern is maintained, one might say -- and in fact I do say, that three or four years hence Canada with our capacity and with the capacity now being brought into being by the British company will have a value at current prices of around a half a billion dollars a year and if only 15 percent is needed locally, the value of that which will be available for export will be something in excess of \$400 million a year. I think it is quite possible if the general business situation remains buoyant as many forecasters would have us believe.

Dealing with my own industry I would say that the value of our exports and the value of our production will perhaps double in the next five years. I hope it doubles. If it does not, there will be a lot of idle aluminium capacity in the country.

With that, Mr. Chairman, I think I stand on the brief. If there are any questions, I would be delighted to attempt to answer them.

THE CHAIRMAN: Thank you very much. We will ask Dr. Stewart if he would like to start the ball rolling.

MR. STEWART: Mr. Powell, I have read the brief submitted by your company and I can assure you that

I know a good deal more about the aluminum industry than I knew before I read this and I am certainly very grateful for the opportunity to get a view of your industry which this very comprehensive brief makes possible, but I must confess that the pages which interested me most were the pages on our trade policy, the matter with which you opened your remarks. I would like to say that, I suppose, by training and perhaps as well by reason of the portion of Canada that I live in, I find myself quite at home in your expression of views and am sympathetic with them. But the problem which it seems to me this Commission is confronted with is very largely a matter of trying to see things as they will happen. Now, that does not mean that Canada's actions may not have some important bearing on the way in which things in general develop but on the other hand it may be that we will have to be governed in part by the policies of other countries. That is the way in which the structure of international trade generally develops because of the actions of others as well as our own position. I suppose it is true that Canada has taken a leading part in trying to free international trade and to eliminate the impediments to it. I wondered from your extensive contacts in different parts of the world whether you are optimistic about our efforts in these directions or from what you know of the attitudes in other countries, whether you think we can look forward to that with some reasonable anticipation or whether the structure of things is going to remain much as it is or perhaps even tighten up.

I would be very grateful if you would express your views on this.

MR. POWELL: This, of course, is not a political forum but I must say before I attempt to reply that the Canadian government certainly throughout the western world, stands very high -- much higher than many Canadians seem to realize. The official representatives of Canada stand very high, not only in foreign countries but they stand high with me. They are competent and in matters having to do with trade, unusually understanding -- unusually understanding. I am referring now only to the western world. It is a fact, however, that nationalism in other countries seems to be growing a little and to some extent I sometimes suspect that it is growing in this country, which is, I think, unfortunate. Canada is not the only country desirous of development of secondary industries. But as I belong to the school believing that each should be permitted to do that which he can do best and each of us should depend on others to do what they can do well, I think it would be a great tragedy for the world and for Canada if Canada does not exert itself even at some sacrifice to itself, to persuade the world that it is in the interest of all the people to have freer interchange of goods, and if Denmark can make something better than Spain, then, why not let Denmark do it.

This applies to a marked extent to such countries as England and Japan. The Japanese have neither the food nor the raw materials with which to live, and, as we have discovered on several occasions,

they don't take this lying down.

To summarize my reply to your question, I fear that there is a growth of some nationalism throughout the world and it will take concentrated and persistent effort on the part of countries like Canada to offset this tendency and it will mean sacrifice on the part of Canada to do that, at least the appearance of sacrifice. I don't believe that in the end it will be sacrifice.

MR. STEWART: You would feel that in the years ahead of us not only in terms of the general welfare but also in terms of Canada's welfare that we have resources that we should be developing, resources which could only be developed on the basis of export trade and that we should be considerate of that side of our economy, is that the position?

MR. POWELL: Yes. How can the people of, shall we say, Japan -- this is so evident I am really a little ashamed to speak of it -- how can the people of Japan buy wheat which they would like to have in large quantities from this country, unless they have Canadian dollars with which to buy and how are they going to get Canadian dollars unless they sell something in this country? As I said earlier, or indicated earlier, I suppose it is possible for a family or a nation to live within itself -- completely within itself. I don't believe that it is in the interests of Canada to live within itself. There are many reasons for this. In the first place, do we have a moral obligation to share with the rest of the world that which nature has so

bountifully supplied here? You could argue that if we did not share it somebody might come along and make us share it notwithstanding our attitude. But certainly if we do not export in that way sharing what we have got, we cannot import and if we have little or no international trade it seems to me that our standard of living will, in material things at least, decline.

MR. STEWART: In a period of general expansion it would be possible, however, to contemplate a growth of those industries which supply the domestic market primarily along with an expansion of exports. That would still be possible, wouldn't it?

MR. POWELL: My company has extensive interests in the Saguenay Valley. I remember well my first trip there. There were practically no motor cars in the district. Now, it is said that Chicoutimi per capita has more Cadillacs than any town in the whole of Canada. Now, the relevancy is this: money comes in from the world. That community is dependent almost entirely on newsprint and aluminium. There are very large payrolls in that area -- I suppose \$75 million to \$100 million payrolls there and the people buy Fords made in Windsor, or wherever they are now made. They buy Cadillacs, they buy nylon stockings, refrigerators and manufactured goods. They provide markets for secondary industries which is something that is wanted and without those payrolls would the people of Chicoutimi buy all those motor cars? They did not years ago.

MR. STEWART: I am not sure that this is a question that really can be answered but in your brief

you refer to the encouragement of industry until after they are economic and I think in your opening remarks you said if they could be established on a sound basis. Is there any criterion?

MR. POWELL: Of soundness?

MR. STEWART: Yes.

MR. POWELL: Yes, the annual earnings statement.

MR. STEWART: With or without tariffs?

MR. POWELL: I would not go so far as to say that there should be no protection in the aluminum industry but I personally advocated and argued long for free trade in aluminium -- 20 years ago at the time of an Imperial Conference in Ottawa. I did not get beyond what was then called the British Empire -- in fact not quite throughout the British Empire -- but for 20 years there has been no tariff on aluminum from Britain to this country. The market is free. I would even be delighted to have free trade in aluminium both ways, United States to Canada. It would suit me fine. That is because, in an attempt to answer your question, the aluminium industry of this country has been here for 55 years. It has had a chance to get meat on its bones and to be in a position not only to give the benefit of low prices to the Canadians which it does -- the prices of aluminum in Canada are now and almost always lower than in the rest of the world, the lowest in the world -- but it is the foreign business that has put the meat on the bones and enabled my company at least to have the facilities, to be able to justify the sale in this country

at those low prices. This may not apply to all industries but I go so far as to say that some industries at this time should not exist in Canada. Maybe some branch of my own business should not exist in Canada. Perhaps a notable example of this is in the field of air transport. I am told that the time and money required to develop a big passenger plane is very great and I notice that there is a tendency more and more for concentration on the manufacture of these planes. Take Canada, for example. Could Canada afford to have built these large passenger planes without subsidy? I would think the resulting cost would be so great that they could not be operated profitably and certainly they could not be sold outside of the country without heavy subsidy. I am not in the aircraft business but I venture that as an opinion. But when I speak of sound industries I mean those industries which, with a certain amount of aid, can put themselves into a position to supply Canadians at prices little or no higher than prices obtainable in other parts of this world.

MR. GUSHUE: I rather gathered that your test of soundness of a small industry being economic was that eventually it should be competitive in the international field, is that a correct analysis?

MR. POWELL: And that the products of such secondary industries should be available to Canadians at prices comparable with prices of the same things in other comparable countries.

MR. GUSHUE: In other words at some time

they should stand on their own feet?

MR. POWELL: That is right, that is my belief.

MR. GRAUER: On page 47 where you deal with recommendations on trade policies, you refer to the United States specifically saying that Canada may look to long term increase in that country for the products such as aluminum which it can efficiently produce for United States needs. Did you have any specific suggestion in mind for meeting the trade situation between Canada and the United States or are you relying generally on the general principle of lowering tariffs and each doing what it can most efficiently do?

MR. POWELL: Of course, a removal of the tariff would help or a reduction in the tariff but I repeat the only reason for the aluminum industry in this country is power and if the power ceases to be -- if I may use the word -- cheap, then there is no reason to be here. Up until now power at low cost has been available and has enabled the producer to hurdle the American tariff but of course, the tariff could be raised, perhaps, to an extent that would make it unprofitable to sell in the United States or at least difficult.

MR. GRAUER: Is there a fair amount of aluminum being produced in the United States by the use of natural gas?

MR. POWELL: There was a great wave of enthusiasm for gas eight or ten years ago but I

think that wave has passed. Natural gas in the United States is becoming much more expensive. We ourselves had an option to buy natural gas ten or fifteen years ago in huge quantities at 3 cents per thousand cubic feet. Anyone that goes down there now, I understand, can sell it for 15 cents and pipelines are being spread all over United States. If you heated your home with natural gas and with coal and oil I am sure you will agree you pay a bit of a premium for natural gas. You don't have to pay for trucking, delivery and a lot of other advantages and it is a very nice fuel. I would say the enthusiasm for natural gas as a source of electrical energy is past but that is not true of lignite and coal.

Just recently we had an offer of, I suppose, billions of tons of lignite at zero value if we would locate an industry in a certain part of the United States and there are engineers who argue that power can be produced from lignite if you give credit to certain by-products and this is true of bituminous coal in selected localities at 4 mills a kilowatt hour. Now, Mr. Grauer being in the power business, knows perhaps better even than I do what that means. 4 mills per kilowatt hour at a 100 percent load factor would be about \$26 per horsepower year, is that it?

MR. GRAUER: Don't put me on a spot with my mathematics.

MR. POWELL: I don't mean to put Mr. Grauer on the spot so I won't suggest that we should go to Vancouver, but I can state that it is

(Page 6857 follows)

very difficult to buy power even in Canada for \$26 per horsepower year right now.

MR. GRAUER: We will sell you some.

MR. POWELL: We will be out, probably, at \$25.50. But I think that Canada must recognize that other sources of energy are threats to the water power of this country.

MR. GRAUER: If the aluminum industry is in Canada because of relatively cheap hydro power then it follows then in your view with the remaining fairly substantial undeveloped blocks of hydro power that we have we should be fairly chary of exporting?

MR. POWELL: Exporting the power?

MR. GRAUER: Yes.

MR. POWELL: Well, let me see. It is very difficult to argue on both sides of the case but power is not to be compared with some other commodities. I would say that it is in the interest of Canada to conserve its power and perhaps that is a way of saying that the policy towards the export of power has its points. For 30 years or more I understand it has been the policy not of the provinces individually, but of the federal government, to oppose the export of energy and as a matter of fact that is probably one of the reasons my company is in Canada, probably one of the reasons, but if I may say so, one should be very careful not to confuse the attitude towards exported or imported power and the attitude towards the export and import of some other things. Of course, as I said recently to a public audience I could argue that

aluminium is God's gift to man in lots of ways and if I may repeat, Niagara Falls was a great power many years ago. When the Aluminum Company went there and produced it had an attractive power contract. Years passed, the town grew, there was need of that power for other things and the Aluminum Company got out although it had a good power contract.

One of the reasons we went to Kitimat (as some of you know we spent quite a lot of money in Kitimat) was because the miscellaneous demand for power keeps crowding in all the time, so much so that I expect some day some of my younger colleagues will probably live to see the day when the miscellaneous demand for the power we have got on the Saguenay will be so great our costs will have little or nothing to do with it but there will be a decline of production of aluminum in that area.

We have a plant in Beauharnois almost within sight of this building that uses 100,000 horsepower. During the winter just past, do you know what happened to that plant? Although the demand for aluminum was greater than it had ever been, that plant was shut down 100 percent. And why? It was shut down to enable Quebec Hydro to apply the power that I need and others need to run their oil burners, refrigerators and so on. That might happen in other areas. One reason, as I say, we went to Kitimat was because it was a remote area and it will be a long time probably before modern civilization in this area catches up on a great scale. Have I answered your question?

MR. GRAUER: Yes. Then, summing the thing up for the 25 year period that we are generally interested in as far as your activity is concerned, I take it that you expect a tremendous increase in demand, you have no fears about raw materials or your ability to raise capital and that sort of thing; the fears you have are in the areas of international trade policy and power. Would that be about it?

MR. POWELL: As to raw material being ore, I don't think there is any immediate problem, at least not for my company. As to market, I am perhaps the most pessimistic man in the whole of the aluminum industry of the world but everybody else in the industry is forecasting even a more rapid growth than I do and this is a great growth, I must say.

As to power, the time has not come yet when there is any prospect of a power shortage. For example, there are the rivers of the west coast of Africa -- one alone, just one side of the Belgian Congo - 15 million kilowatts of low cost power and there is ore nearby. But so far as Canada is concerned I would think that given markets-- and the government in this country can and should continue its efforts to keep those markets open -- I would think the aluminum industry in this country will continue a certain amount of expansion.

THE CHAIRMAN: Mr. Powell, you started off on one of the fundamental questions which when these public sessions are over this Commission is going to have to get busy and discuss amongst ourselves and in answer to Dr. Stewart's questions you suggested that we should

concentrate in this country on the kinds of industries that are sound and in further amplification you suggested that there were certain industries which we perhaps should not have at all, and I think later on perhaps in answer to a question of Dr. Gushue's, you suggested that we either should not have or we should look fairly searchingly at industries which could only supply goods to the Canadian population at prices which are higher than they could get elsewhere. Now, we have been in Montreal for -- this is about, I think, our sixth day here, and we were in Toronto for two weeks and in various other places and we have heard the representatives of many industries which employ a lot of people in this country who told us that they could not compete with either British or American or Japanese goods.

Now, I just wonder how far you would go on that yardstick because the automobile industry told us that they were 12 percent to 15 percent higher than costs in the United States, which incidentally is quite a change because some years ago the differential was at least twice that. The electrical industry told us they could not compete against importations from Britain and Western Europe and the textile industry have told us that they can't compete. Now, this morning the representative of the International Ladies' Garment Workers' Union told us that there would be no possibility of the garment trade in Canada, which is to a considerable extent located in Montreal, being able to compete with the Japanese, for example, and the great question is, where do you draw the line? We can't all be employed presumably in the production of the great natural resources industries in

this country so what do we do?

MR. POWELL: As I said I recognize that and although I am a free trader, perhaps I should say freer trader to distinguish, as I said, I think there is a time when industry needs protection. They need it to help them get volume sufficient to bring about the low cost they need in order to meet the world market. Do I make that point clear -- to get the volume?

THE CHAIRMAN: Yes, but then these industries tell us that they cannot possibly get that volume. Well, particularly the industries that require a substantial amount of labour if they are going to pay the North American scales of wages they can't get that kind of volume in competition against Asiatic wages or the wages that prevail in the United Kingdom or western Europe. What do we do about them?

MR. POWELL: I grant you it is a very difficult question but I still think if the country is willing to be taxed directly or indirectly for the privilege of making things locally, well, I suppose that is all right for the country to do it but I think there must be a middle ground.

Now, to take an extreme, let us say some highly specialized equipment that requires background for design, very expensive tooling, it would be folly, it seems to me, for this or any other country to make such equipment if the resulting cost is going to be prohibitive. But there are intermediate grounds. But as I said, it seems to me that an industry having

that protection for a time sufficient to enable it, let us say, to get meat on its bones, I should think that it ought to be able to meet pretty well the competition it encounters.

THE CHAIRMAN: The fact is they tell us they can't.

MR. POWELL: I know they do. Perhaps I am wrong about it but the way to look at it is, does the country want to tax itself in order to support these industries? The United Kingdom, for how many years I don't know, for a great many of its most prosperous years, had free trade, didn't it?

THE CHAIRMAN: Yes. Conditions, of course, were entirely different.

MR. POWELL: Yes, they were very different. They had the jump on everybody else as far as manufactured goods were concerned.

THE CHAIRMAN: They were very different.

MR. POWELL: They were very different because the United Kingdom had neither the food sufficient to feed its people nor the raw materials necessary for their manufacture. They had to be either better than the rest of the world or they had a somewhat lower standard of living in order to compete with the rest of the world but at that time the United Kingdom didn't do badly, as I understand. I don't want to be misunderstood. I don't advocate, although I am in theory, as I guess many people are, in favour of freer trade, I don't advocate abandonment of all protection of all industries. It is a matter of judgment where to begin and where to end and I am not

wise enough to say where it should begin and where it should end. I think it should be decided on the case.

THE CHAIRMAN: There is one other question that I want to follow up a little on. Mr. Grauer was asking you about your views as to conserving power resources in this country and you said that you would be opposed to exporting power from Canada. In making that remark were you confining it to hydro electric power or would you include other energy sources as well -- gas and oil particularly?

MR. POWELL: I don't know just what difference there is. If it is sound to export hydro electric energy I don't know why you should not export energy obtained from steam or if it is sound to export energy from steam why isn't it sound to export energy from water. But there again in thinking you have got to take the case system. This country although it is blessed with a lot of water power still does not have unlimited water power, but if I am to believe reports we have, if not unlimited, coal in Alberta, gas in Saskatchewan -- we have a lot of it. It may be justified. I don't know.

THE CHAIRMAN: Well, if I can, I would like to leave these more fundamental questions and ask you about two of the suggestions made at the end of your brief. One was the proposal in connection with education of our charitable foundations, that the foundations should not be required to pay out the full amount of their income in the year in which it was received or right away, that it should be allowed to

build up some reserves or some cash resources. Would you care to expand on that idea a little for us? It is the first time it has been brought up as far as this Commission is concerned. I think it is a very interesting suggestion. Do you feel that many business corporations in this country would be inclined to make substantial donations in good years to such foundations if the foundations were permitted to even out their contributions to Universities and so on?

MR. POWELL: I think so. There is a growing tendency to do this in the United States and I am under the impression that some foundations in the world under pressure to dispose of income, you might say, in the year in which it is received, get a little panicky and in advance of the appropriate time to get rid of their money they may you might say, throw it around. They don't throw it always in the right direction in my view, but still I think they get a little panicky and I think it would be better to have a length of some years to spread this out, just give those charged with the responsibility of disposing of income, a chance to do so logically and according to the principles and conditions of the foundation.

I don't say that my company would set up a foundation but we have toyed with the idea and I know in the United States some corporations have done so.

THE CHAIRMAN: It has been suggested to us, not at one of the public hearings but the suggestion was made earlier on in conversation that one way of raising more money for universities in this country might be to increase the 5 percent, I think it is, that

is allowed as a deduction from taxable income. If you compare that with what is given on the average, it is not a very convincing argument, but do you think that very much more would be ----

MR. POWELL: Would you like to have a suggestion?

THE CHAIRMAN: Yes.

MR. POWELL: I have got one. I don't think that donations by corporations to universities should be classed as philanthropy. I think there should be no direct limit upon the amount of money a corporation can give particularly for higher education. In fact, I have advocated through some years that the law should be changed to permit a company to give, you might say, practically without limit for higher education.

Now, I think it is in the business interests of a corporation to do this but as long as the law is as it is, there is a tendency, it seems to me, on the part of the taxing authorities, on the part of the corporate officers and directors to lump donations to universities with donations to worthy causes like the blind. Myself, I think they are quite different.

THE CHAIRMAN: I won't ask either Dr. Stewart or Dr. Gushue to comment on your proposal.

MR. POWELL: It would be interesting to know if he, as a university president, is in agreement with this.

DR. STEWART: I would think very much so, yes. We are always glad when we see evidence, as we have seen a great deal, of the consciousness on the part

of industry of a responsibility to meet the shortage of educated people which this country faces and I should think any method of that kind which would assist not the universities -- that is not the way to look at it, you are not assisting the universities; you are assisting in the process of education and training of the people this country will need.

DR. GUSHUE: I think corporations in the United States particularly are coming more and more to look upon contributions of that kind as a necessary investment.

MR. POWELL: Well, I read the Sunday issue of the New York Times and I am amazed -- page after page of advertisements seeking scientists and engineers.

I have taken more time than I should but I stand ready to answer any more questions you want to put to me.

THE CHAIRMAN: I think the university presidents would rather like to leave it right on this note. You have given us a very interesting time this afternoon and we are most grateful to you and also I wouldlike to, if I may, include your associates in my thanks, who have helped prepare so much of this material for us and for the staff of the Commission.

Thank you very much.

THE CHAIRMAN: Well, shall we come to order, gentlemen? If you would sooner sit, Mr. Taylor-Bailey?

MR. TAYLOR-BAILEY: Well, I would, thank

you. I presume that I am next.

THE CHAIRMAN: You are next on the list and we will mark your statement Exhibit 197 and if you would care to begin, we shall be glad to hear you.

MR. TAYLOR-BAILEY: Well, I propose, sir, to read this brief, which is quite short.

THE CHAIRMAN: Yes, I think that is a good way to do it.

MR. TAYLOR-BAILEY: And then if anyone would like to ask any questions, I may be able to answer them. I think that will be the quickest way.

In presenting this brief on the probable future developments in the steel fabricating industry I realize that I have not complied with your request that it cover the entire field of construction. Since the latter is composed of so many diverse industries, I have decided to confine my remarks to the steel fabricating industry in respect of which I am more familiar.

Relative Importance of the Steel Fabricating Industry to the Construction Industry

The steel fabricating industry is an integral part of the construction industry. Represented by its many steel-framed structures it may be referred to as the backbone of Canadian construction. Fifty years ago the industry's chief product was steelwork for bridges and buildings. Since then, however, many other lines have been added from time to time to satisfy the growing demands of Canada's expanding economy and today output is both large and varied. Although the

tonnage of steel consumed by the steel fabricating industry is small compared with that of some other industries it is of great importance to the overall growth of Canada since steel enters into all types of construction. In the growing industrial expansion which Canada is now experiencing its importance is increasing.

Function of the Steel Fabricating Industry

The function of the steel fabricating industry is to create the backbone of a structure. The steel in these structures provides the strength required to resist the stresses and strains imposed on them. Unlike many manufactured products, ours are practically all custom built for each individual job and require the services of large engineering staffs to design and prepare drawings necessary for their fabrication and erection.

No steel is produced by the fabricating industry. It is purchased in the form of rolled plates and sections of many different shapes from the steel mills in Canada, the United States, Great Britain and Europe.

The material is fabricated, i.e., cut, punched, drilled, formed, rivetted, welded or machined as required and is then assembled oft-times with other purchased items in as large sections as it is possible to ship. These sections are then transported to the site and erected on prepared foundations.

Vital Need of Obtaining an Adequate Supply of the Raw Material

The primary iron and steel industry has

more than kept pace with the average increase in Canadian industrial expansion. Ingot production in iron and steel increased 2.5 times between 1939 and 1955, which means an increase in production of steel ingots and castings of nearly three million tons per year.

In spite of this increase in Canadian steel production as a whole, the production of structural shapes and plates required by the fabricating industry has not increased proportionately. Canadian producers of steel shapes now supply a smaller proportion to the Canadian market than they did before the war, providing only 38 percent compared with 60 percent in 1939. During the post-war period 1945 to 1955 our Company purchased an average of 48 percent of its steel requirements from Canadian mills, 40 percent from U.S. mills and 12 percent from European suppliers.

In 1939 the annual ingot capacity in the U.S.A. was 83 million tons. Today it is 123 million tons. The steel fabricating industry has benefitted very little from this tremendous expansion. The additional capacity mostly produces flat steel products such as sheets, tinplate and galvanized sheets. The automobile industry alone in the U.S.A. during 1955 took about 23 percent of all the steel rolled. The same may be said of the additional capacity the Canadian mills have provided. The fact is there is more profit in flat rolled products than in structural shapes and plates, and the mills cannot be criticized for producing the most profitable items.

Probably the greatest problem facing the fabricating industry today is the availability of steel. Whenever there is any upsurge in business, steel becomes scarce and the fabricators are put on an allocation basis and the tonnages so provided are hopelessly inadequate. This is an extremely bad situation and is an everlasting threat to the normal expansion of the economy.

It would appear that as the population of Canada is likely to increase over the next 25 years at a greater rate than in the previous 25 years, and as the use of steel per person will also increase, the primary steel industry in Canada must be continuously expanded to produce not only more flat steel products but also the items the fabricating industry consumes. Steel consumption will probably rise from present 793 ingot pounds per capita annually to nearer the 1,340 pounds consumed in the United States.

New Techniques

Over the past 70 years changes in fabricating methods have all been in the direction of reducing the manual labour involved. Notable advances in these methods have been:

1. The introduction of electric and air-operated tools to replace manually operated units. An example is the elimination of the rivet driven by two or more men with a maul and rivet set and its replacement by the pneumatic hammer.
2. The introduction of oxygen-acetylene burning torches and gas and electric welding units.

3. The improvement in material handling by the introduction of small trucks suitable for shop use and the improvement in the type and operation of overhead handling equipment.

It would seem likely that future developments in methods and procedures will have the effect of reducing manual labour. It does not appear that in the fabricating industry there will be any extensive application of so-called "Automation", as most of our products are custom made and are not a standard which can be produced in quantity. Additional features are constantly being added to buildings which make cost comparison mean very little over the years. In general, however, the basic reason for introducing any change in methods is to reduce the selling price of the finished product and thus maintain the competitive position in respect of other materials.

Raw Materials

In considering future prospects for new materials in the structural field, let us consider what has happened in the last fifty years. During that period there has been a very general development in the basic materials used in our industry. The developments that have taken place are of two kinds:

1. New type sections known as wide flange beams were first produced by an American rolling mill about 40 years ago and have been extensively used, particularly in building construction, since that time. Due to the limited demands for these sections in Canada and the high initial cost of the rolling mills to

produce them, these sections are not produced in Canada and must be imported. They have, however, reduced the cost of steel frame structures.

2. The quality and strength of steel has been improved and as a result the allowable working stresses for structures have been increased. This has resulted in a reduction in the weight and hence in the cost. It is probable that further improvements in steel will be along the lines of increased strength at lower cost. Many so-called high strength steels have been developed during the last 20 years, but in all cases their higher cost and the difficulties encountered in working the metal have been such that it has not been possible to justify their use in ordinary buildings or bridges. One or two special steels have been used in very large structures when the savings in weight produced secondary savings which balanced the added cost of the metal.

Insofar as future developments are concerned, the newer structural metals must be considered. Of course, aluminum has been the most prominent to date. It has been used and has possibilities for certain structures where light weight is of great importance. Its competitive position will improve as the cost per pound drops relative to that of steel. Its low elastic modulus is, however, a hindrance to its use in many structures.

Titanium, at least as far as our present limited knowledge goes, does not appear to be an entry in the race as a structural building material. Its field

use will probably be confined to those structures where full advantage can be taken of its resistance to high temperatures and corrosive attack.

There is no doubt that, in the building and bridge field, the principal competition will continue to come from reinforced concrete in all its forms and from wood construction. Further advances, no doubt, will be made in concrete construction, so that it will continue to be steel's chief competition in the construction field.

Employment

As reported by leading men in the field of demography, Canada's population should increase by 75 percent to 28 millions in 1980. The working force in the steel fabricating industry has almost doubled since 1946 as we became more industrialized while the population has increased by only 28 percent during the same period, so we may expect the labour force of this industry to increase at a higher rate than the expected rate of increase in population. The growth in the number of plants in the industry from 25 in 1946 to 47 in 1953 parallels the growth of employment.

Our working force is composed of three distinct groups, namely, office and engineering, shop employees and erection employees. This industry along with others is experiencing difficulty in obtaining graduate engineers and the demand for them will increase progressively in the future. The same holds true for experienced draughtsmen. Our company, and I presume others in this industry, conduct a Drawing Office

Training School. We also provide a $4\frac{1}{2}$ year apprenticeship training for tradesmen in the shops, which includes a practical training in every phase of shop work. The erection steelworker must spend two years as an apprentice to qualify as a first-class tradesman.

Seasonal Fluctuations

During the last thirty years the seasonal fluctuation in the construction industry has been greatly reduced and it would appear that in most types of construction and at least in the more temperate zones in Canada this tendency will continue. Improved methods of protecting concrete, heating and handling materials will make this possible.

In reference to our role in the construction industry, the elimination of seasonal variations lowers costs. In the shop it allows a steady work force to be maintained, which ensures better workmanship and efficiency.

In the field there are occasions when costs are greater during winter erection. It might be supposed that a lot of time is lost during the winter but actually in the latitude of Montreal the percentage of days lost by our erectors due to cold and snow is not much higher than that lost during the summer due to rain and wind. The ability to maintain a year round erection force adds to the economy of operation by cutting overhead and other costs.

Further advances in winter construction and elimination of seasonal variations can undoubtedly be made, largely by improved planning of construction

projects so that they may be started at a time to allow for a maximum of inside work during the winter.

A general factor which affects industry's working force and the whole economy of Canada is the ever-growing urbanization of the country. The need of cities for large bridges and buildings have their stimulating effect on the national economy. The increase in our population will be concentrated very largely in urban areas if the proportion of the population living on the farms continues to decline as it has during the last several decades. This urban growth has made changing demands on our industry, which is a long range factor to be borne in mind in forecasting the future development of Canada.

Capital Investment

The extent of capital investment spending reflects the extent to which the nation is providing for the future by becoming more industrialized. It also reflects the opinion of businessmen as to the future prospects of economic development in their particular industry.

Capital expenditures on construction in Canada in 1954 in dollar terms were over three and one-half times those in 1929. Even if allowance is made for doubling the 1929 prices, the volume of investment was still about two-thirds greater. This is an indication that our future economic outlook is healthy.

During the postwar years capital expenditures by this Company have amounted to more than \$16 million and was only limited by the steel supply

situation. It is our intention to continue this programme of expansion to an even greater extent than in the past provided the availability of steel improves. It is no use having idle plant capacity because of the impossibility of procuring an adequate supply of steel from the rolling mills.

Industrialization

During the past ten years the amount of foreign capital investment in Canada has been increasing rapidly. This is an indication of the increasing importance of Canada in the eyes of the world. This trend is satisfactory as long as this capital is used to develop Canadian manufacturing industries.

We should strive for more independence of supply of manufactured goods from foreign countries. The United States steel mills are operating at 100 percent of rated capacity, and the demand is forging ahead of supply. Therefore, Canada should extend her steel mills to supply her own needs and any export demand. Steel is without exception the most necessary material upon which the world depends. It has been estimated in the United States, the largest steel producer in the world, that steel and its products account for 35 percent of the national income. The United States produces about half the world's steel supply while Canada produces slightly less than two percent. There is iron ore available in this country sufficient to produce the steel requirements for all industries. To date we are not utilizing to the fullest extent our rich natural resources available for the development

of our secondary industries. Canada in the past has been primarily an exporter of raw materials and an importer of finished goods. If we continue to depend chiefly on exports of raw materials and ignore the possibilities of expanding our secondary industries our entire economy will be adversely affected.

There is some slight difference of opinion.

Export and Competition

As the steel fabricating industry exports very little, it is almost entirely dependent on the home market. During the past few years foreign competition has gained access mainly through the North American defence programme. This is justifiable as these projects, although performed in Canada, are joint efforts by Canada and the United States. Except for projects of this nature, the tariff on foreign products should be maintained.

Probable Development

In the past few years the production of automobiles has increased considerably and will continue to do so, thus increasing the need for new highways and bridges. Bridges will also be required for railways as we strive to open up our vast territory to the North. The future need for these bridges, and for buildings of every imaginable type, heavy machinery and equipment for industries such as hydro-electric power plants, smelters and mills producing steel, nickel, titanium and other metals, pulp and paper mills, chemical, oil and rubber plants and factories of many types will undoubtedly create a large market for the fabricating industry.

The tonnage output of the fabricating industry increased slightly over 100 percent from 192,000 tons in 1946 to 391,000 tons in 1953. If this rate of expansion is maintained for the next 25 years an output of about one million tons is not unlikely by 1980.

CONCLUSION:

Canada has been endowed by Providence with the necessary basic materials. It now remains for the human element to provide the know how, technical advances and management to develop these materials. The economic progress in Canada has revealed outstanding growth over the last 25 years, and if the next 25 years are as productive there is no reason why Canada should not maintain her position as one of the industrial leaders of the world.

Thank you very much for listening to our presentation.

THE CHAIRMAN: Thank you very much, Mr. Taylor-Bailey. I was just hoping that Dr. Stewart would put the same questions to you that he put to Mr. Powell.

MR. STEWART: Well, I think that Mr. Taylor-Bailey has given the answers in his brief and it is hardly necessary to repeat the same questions. I was interested in the reference to iron ore at the bottom of page 9 because it seemed the company's impression is that we should be processing our iron ore in Canada. Would you go as far as that?

MR. TAYLOR-BAILEY: I would go partly.

The primary steel industry in Canada is now in the process of developing iron ore mines in this country and fabrication plants to develop them. We are sure we should not say we have all this iron ore and we are not going to export. That would be stupid. But the primary steel industry in Canada, I think, is taking very positive steps right now to develop its various mines and put them to use and I think over the next decade or two this will progress in an orderly manner and will work out. I am quite sure you can't do these things overnight and I think it is stupid to try.

THE CHAIRMAN: On page 3 you mention that there is more profit in flat rolled plate than in structural sheets and plates and the steel mills cannot be criticized for producing the most profitable item. Why is that possible? Are you better bargainers than the people who buy the flat rolled product?

MR. TAYLOR-BAILEY: No, the flat rolled product is a more advanced material than the stuff we use; in other words, take a 15 inch beam which is about the largest beam we make in this country. A 15 inch beam weighs 42 pounds to the foot. Well, they can take that 42 pounds of steel and make an awful lot of tin plate out of it and get many more dollars for the tin plate than they will for the steel. It is just that they put more work into it and therefore if the demand is for tin plate and sheets and stuff it is only normal that the manufacturer would lean towards making more tin plate and sheet. We would like, as fabricators, we would be delighted if that were not so, but it is so and moreover

it is sensible.

THE CHAIRMAN: Is there any way of encouraging the Canadian steel mills to produce more shapes?

MR. TAYLOR-BAILEY: Well, they are. The Canadian steel mills, all of them that I know of, the large ones certainly are expanding their output very greatly and I think are to be commended for it. They are putting the money up and spending a lot of money. I think these conditions that I may appear to be complaining of sometimes I think it is not that the steel mills are not expanding nearly enough but it is that the consumers are buying too much all at once. The demand for our product at this very moment is much greater than I have ever known it to be in the past, very much greater and I would not like to appear to be criticizing these people. They are doing everything they can. It is a condition that obtains all over the world; it is not only in Canada. In the United States -- and we are very large purchasers of steel in the United States -- they are just as tough on us as the Canadians, in fact I would say more so. It is just with their tremendous demand and the tremendous output of steel there just is not enough to go around. We would like to get more and I suppose the tin plate people are saying: "You want more than your share" but we don't agree with that. We do want more.

THE CHAIRMAN: What is the answer, more capacity?

MR. TAYLOR-BAILEY: Yes. That is underway

now. I know the Steel Company of Canada, for example, has a very large expansion project. Dominion Foundries and Steel are doing the same, Dosco are doing the same but it won't be available now. In the meantime I think we will struggle along as best we can.

THE CHAIRMAN: I would just like to ask one more question along the line that Dr. Stewart was enquiring about, the question of iron ore deposits in this country which we heard something about this morning. Presumably we can't expect in the foreseeable future to produce all the steel or anything like all the steel that is required in this country because all the things are not being produced here and the items we are importing in large quantities -- I suppose stampings for the automobile industry are perhaps the largest items and frames which may come out one of these days, and then the requirements of your industry. So that if we have these very tremendous quantities of iron ore deposits then, as you say, we would be biting off our noses to spite our faces if we did not import it in the form in which it is being imported?

MR. TAYLOR-BAILEY: Yes, I think as we require them in this country it will be economical for our mills to use Canadian materials and that will take place in a natural way and without any disruption. We certainly have more iron ore in this country than the Canadian mills can possibly use.

THE CHAIRMAN: Some people may think it funny that we are importing iron despite the fact we have got so much of it in this country but the fact is

one offsets the other and doesn't make much difference.

MR. TAYLOR-BAILEY: It is cheaper in some cases to import it and bring it in by water than it is otherwise but it all adds up. It is a matter of dollars and cents, I think.

MR. GRAUER: The only point I had in mind is the question of seasonal employment which attracted a lot of attention.

MR. TAYLOR-BAILEY: It is becoming less and less. Many years ago I remember when we practically shut down all our outside erection work in the winter. Now that is not the case at all. In Montreal in climates like this we are operating pretty well all through the winter. We are operating in much more rigorous climate than this. There are some places where we can't work in the winter time, in northern parts, but I think the industry is learning slowly how to cope with the weather and putting it to good use. Also there is, I think, realization that by being able to keep your crews going at least throughout the year they are much more efficient and on the overall picture we are breaking a little better than even or else we would not do it.

The whole construction industry, not only the steel industry but you will find that going on all over. They are heating concrete aggregates with calcium chloride etcetera. They are heating them at away below zero where two or three years ago that was not done.

THE CHAIRMAN: Well, thank you very much. We are very grateful.

Now, we will mark the next brief Exhibit 198 for the record and if you, sir, would mind introducing your colleagues for the record, I think we would like to have all your names.

MR. ROGER REGIMBALD: Well, Mr. Chairmen and gentlemen, I would like to present Mr. Marcel Allard, Vice-President of Steward Biscuit Company and Director of our Association; Mr. Claude Lavery, General Secretary of the Association, Georges-Henri Dagneau, who is the Secretary of our Social Action Committee in our Association, and I am Roger Regimbald, also a director of the Association.

It is unfortunate that our English text has not been prepared in time to be submitted to you. The French text has. If you will permit, I will present the English text which will be forwarded to you in a matter of one or two days.

THE CHAIRMAN: Thank you very much.

MR. REGIMBALD: Mr. Chairman and gentlemen, in studying economic prospects of a country as rich and prosperous as ours, it is natural and inevitable that special attention be given to the maintenance and development of one of its major factors: private enterprise.

Private enterprise has been, as a fad, the basis of the industrial and commercial development which the free world has known in the last century. In this country in particular, the development has been so great and so fast, that it has become necessary to take inventory, so to speak and at the same time, to try to determine the policies which should guide us in the

future years, which will without a doubt be much more active than anything we have known. We consider, therefore, that the work of your Commission is of great necessity. Your findings should definitely contribute a great deal in lighting the road ahead.

Our Association is particularly happy to co-operate and is grateful to have been called upon to do so.

The Professional Association of Industrialists founded in 1943 and usually referred to as the A.P.I. (Association Professionnelle des Industriels) is an employers association and its primary purpose is the fostering of better employer-employee relations. As such, its character is two-fold: by the principles of free enterprise which we represent, we are a social movement. By the services which we extend to members we are an employers' syndicate or union. The Association offers three services: The Labour Relation service, which, through its technicians and legal adviser, helps employers in the negotiation of their labour agreements or the solution of any particular labour problem. The Financial Consultant Committee of particular assistance to employers in medium and small industries who need counselling or technical help to solve their problems of finance. Finally, the Social Study and Action Service which is mainly concerned with public relations, economic and social research, social legislation and group representation such as we are doing today.

The A.P.I. has over six hundred member firms in the province of Quebec recruited in all types

of industry and services. We, therefore, represent a fair cross section of private enterprise, large, medium and small and together we employ well over 120,000 workers.

To facilitate the meeting of members among themselves, the Association, through its head office in Montreal, has organized nine regional sections throughout the Province, each of which has a panel of officers and convenes once a month. The Association is headed by a Board of Directors made up of delegates from each regional section and by an executive committee chosen among the directors. Its incorporation is under the provisions of part three (3) of the Quebec Companies Act. It has been considered as the voice of management in the Province because it is made up exclusively of employers in all sectors of industry, because it has taken clear and precise stands on the most important issues of the social-economic life. The A.P.I. also represents management at the International Union of Catholic Management Association, the vice-presidency of which has been held by one of our executive officers.

In preparing this brief for the consideration of your Commission, Mr. Chairman, and gentlemen, we would like to present what we think is the opinion of management and employees in general rather than the point of view of industry alone. The foregoing should seem as sufficient justification for this attitude.

Private enterprise, which is the sole reason why management and employers exist, and which must be credited with practically all the country's industrial

and commercial accomplishments, intends to remain faithful to its mission of serving our nation and our people as it has done in the past. Through past efforts, it has provided, to the whole country's benefit a great potential of wealth, goods and initiatives that henceforth, our population could never do without. In the economic prospects of Canada, this essential and preponderant contribution must be given its primary value and importance.

This basic fact explains our presence before this Commission.

Another reason, even greater than the first, has supplied the motive for this brief and that is, the very principle of freedom of enterprise itself, which we have constantly and repeatedly had to stand up for. To do so is our duty, and that is why we gladly accepted your kind invitation to appear before your Commission.

"Free Enterprise" is in fact the true expression of private initiative, because it safeguards and satisfies two of man's essential prerogatives: freedom to work and the right of ownership. The practice of private initiative must presume the right for each man to be free to choose an occupation which conforms to his aptitudes and tastes, as well as the right to use freely of his wealth for his personal interest, inasmuch as he stays within the limits of justice and commonweal. Free enterprise, organized and directed under our christian concepts of economics, is the truest expression of these two natural rights of the human being.

This is the principle which the A.P.I. has

always and will always stand for.

The question now is: What must be done to allow private enterprise to continue and increase its contribution to the welfare of the nation?

Simply to promote and maintain the favourable atmosphere which it needs to get along, that is the role of the State. In Canada, this is the Federal State duty to provide this atmosphere although each Province also has its share of responsibility.

In any event, for the Federal State of Canada, providing this favourable atmosphere to private enterprise means, in the first place that it must not hinder it, and secondly, that it must encourage it by means of sound economic and fiscal policies, and various measures of general interest. These are the two points which we would like to examine more closely in this brief.

In the negative aspect of its duty, that is in avoiding to hinder private enterprise, the Federal State's main preoccupation should be to avoid coming into competition with private enterprise, especially in industry and commerce.

Unfortunately, it already has invaded the field of transportation and communications, and the deeper it has penetrated, the more it has become involved.

History has recorded the fact that Canada's expansion was achieved mainly through the development of railroads at a time when these belonged exclusively to private enterprise. Yet, quite recently, we saw our State Railway system adopt a very severe attitude when

one particular region, the Saguenay district, requested that its present facilities be extended from Lake St. John to the new section of Chibougamou. The officials of the C.N.R. demanded a guarantee of a certain volume of business before undertaking the construction of this trunk line. Had this method prevailed 75 years ago, Canada would most probably still consist of four provinces.

We understand that our State Railway has a department of industrial expansion, through which it endeavours to co-ordinate the industrial development of certain areas and the broadening of its network of trunk lines. This, at least is a positive approach, which partly alleviates some of its shortcomings, provided however, that further developments will not only consider transportation of freight the more remunerative service, but also the transportation of passenger the more important.

Still in this field of transports, we witness today a strange palinode on the part of the Federal State. To maintain its sovereignty, Canada has developed its own Navy. Its main purpose appears to be the protection of our merchant marine in wartime. It is quite evident that Canada couldn't possibly at the present time, set up a naval force capable of protecting on its own our endless coastal areas. If this is so, how can we logically explain the maintenance of our Navy in peace time, if our merchant marine is allowed to disappear. Twice a merchant marine was built up and twice it was left to die. Here is an instance where the state can offer direct assistance to private enterprise by creating proper conditions for its maintenance. Other countries have shown that it can be

done, and in following suit, Canada as a state, would take a stand which might at long last, eliminate the need of subsidies to ocean going vessels, navigation firms, and the artificial establishment, in wartime, of Crown Companies such as the Park Steamship Company.

The second sphere of activities in which our Federal State has ventured, is that of communications, first in telegraphy, then in radio transmission, then cinema, then telecommunication and most recently, television. It is quite understandable that at least where radio and television are concerned, the State cannot, at this time, make a sudden and hurried exit. However, we feel that the State should apply the same principle which it does in the case of rail and air transports, namely the establishment of an independent governing body to whose controls are subjected state owned enterprises as well as private concerns. At the present time for what is termed its educative mission the C.B.C., which controls radio and television has the responsibility of setting up conditions under which private stations may develop commercially, thus playing the dual role of controller and competitor. This should be readily acknowledged as a dangerous condition and an unfavourable situation to say the least.

Furthermore, the C.B.C. forbids the establishment of a privately owned network in television although this is conceivably the only way in which such stations could provide a desirable service to the public and the sponsor. In radio, such a network can only be obtained by special request to the C.B.C. By establishing a

certain monopoly in radio and television; the state necessarily placed itself in a position where it logically had to vindicate, to demonstrate and foster state intervention. This has been done as was inevitable.

THE CHAIRMAN: You will probably put those views before Mr. Fowler in due course.

MR. REGIMBALD: By the same token, it is logical also that private enterprise request very strongly the close and efficacious supervision of C.B.C. productions, to detect any evidence propaganda for state intervention. It is easily conceivable that the slightest socialistic tendency in certain quarters could spread like wild fire through these media. In any event, the danger is definitely there.

The same danger exists where the National Film Board is concerned. In this case, however, it would appear that the State is simply taking the place of private enterprise.

Nothing can seem more dangerous than to foster in the mind of the public, the illusion that State penetration of enterprise constitutes a general and permanent economic remedy, especially at a time when social security measures and national defence make up such a large proportion of our taxbill.

Finally, the Federal State has gone into the production of nuclear energy and its commercial use. Even if it were granted that for reasons of welfare for the whole of humanity, state control of product and distribution is preferable at this time, it need not follow that such need of control be perpetual or absolute.

The gradual decentralization towards private enterprise should certainly figure in our long term prospects.

Mr. Chairman and gentlemen, with your permission, we would like to examine the positive aspect of the State's obligations to private enterprise, that is the creation of a favourable atmosphere for its development.

The mainstay of any economic policy must be the human being, Man, and since fiscal laws are an essential element to any such policy, they too must be evolved around the individual: Man, out of respect for the individual and to assure his full development, policies and laws must tend to level off revenues and expenses in order to relieve the individual of his tax load as much as possible. Now, the two main items in our Federal expense budget are National Defense and Social Security.

As far as national defence is concerned, Canada has some very definite and necessary commitments which are beyond the realm of our competence to discuss because they are international in scope.

However, while we are on the subject of international relations the A.P.I. would suggest that the Federal State never bypass an opportunity of helping and promoting a favourable climate for private enterprise in regard to international trade. Exports are still a bulwark of our national economic activity. Therefore, anything which the Federal State is accomplishing to help Canadian manufacturers on foreign markets should be maintained and fostered. In this respect, the A.P.I.

would suggest that continued efforts be made to integrate Canadian Trade Commissions into normal diplomatic services, thereby avoiding overlapping offices. We would also like to stress the participation of Canada in such public undertaking as exhibitions and trade fairs in foreign countries.

In regard to social security, it is evident that a proper and precise balance must be maintained. The absence of all social security measures would be as detrimental to man as an excess of such measures, their lack of co-ordination or their faulty application can degrade him. The fundamental principle involved is that each person is primarily responsible for his or her own security. The State's role in this is essentially substitution and assistance. It follows necessarily that one of the best means of helping man to develop himself and to provide his own security, is certainly to relieve him as much as possible of his tax load. This applies equally to an individual as to a group.

The following principles may be evolved to attain this result:

1. To divide the various taxation fields between the Federal and the Provincial state in such a way as to allow each state the necessary means to accomplish its proper aims, and to avoid dual taxation.
2. To constantly revise the direct tax rate on personal income as well as corporate income to make it consistent with a policy that favours the human being, and consequently, private enterprise which serves

him.

3. To eliminate certain anomalies prevalent in the field of indirect taxes where various industries will be affected differently from time to time because of temporary needs.

Also for the purpose of respecting the human being, whom private enterprise serves, Canadian policies aimed at increasing our population must necessarily be inspired by human considerations. Even though it seems logical to forecast an ever increasing population in our country, it must not be considered as a great pool of consumers for our greater productive capacities, but rather as a growing family which must be guided in such a way as to permit proper development of each member's talents and possibilities.

Consequently, our immigration policies should have as an objective to attract subjects who can readily integrate into one or the other of our two great racial groups and establish themselves permanently. Immigration must also be proportionate to the demands of our labour market and fluctuate accordingly.

As far as labour is concerned, the Federal state should continue to respect the prerogatives of Provincial states and reserve its rights for those involved in Federal fields.

In regard to Unemployment, the Federal state should continue its programme of public works commensurate to the requirements of a region and of particular seasons. It should also endeavour to divorce the Unemployment Insurance Commission from any possible

influence of any party in power, the allow the Commission to remain an impartial and competent agent in labour-management matters.

In matters of employer-employee relations, the Federal state, through its Labour Department should continue its endeavour to supply information and co-ordination, leaving actual legislation to each province, except in cases where federal matters and interests are involved. In its information services, it should rely on its great wealth of statistics which should be constantly broken down to geographical and economical regions.

The inherent danger of any state initiative is the multiplication of civil servants and no effort should be spared to prevent such inconveniences. Since Canada is officially a bilingual nation, it seems logical to suggest that bilingualism should be considered a definite factor in upgrading and promotion of civil servants. Finally, one of the best and most practical ways of creating a favourable atmosphere to the development of private enterprise, is certainly some form of direct assistance to small industry. In a growing economy such as ours, small industry has a very definite part to fulfill because it is easily measured to man's own stature; it permits the owner to master and control his own economic decisions and orientation. It is easily adaptable to local or regional markets; it helps to stabilize our labour force which it trains to its particular needs, and in the healthiest environment for the individual personalities and characters. It also is conducive to

more intimate and direct relationship between employer and employee. Small enterprise is also the most favourable economic ground in which to test the discoveries which science and technology have brought forth through research.

At the time that our Department of National Defense was developed, one section of this department was assigned to providing assistance to small businesses. With the easing of international tension and the gradual disappearance of the Department, this particular service disappeared also and became a part of the general state department.

There are undoubtedly various services still available for small enterprises but definitely nothing as clear, determined and coherent as the "Small Business Administration Act". The A.P.I. feels that great benefits could be derived if such could be adjusted to Canadian requirements for the following reasons:

1. This would not be an additional intervention of the state in private enterprise: on the contrary, the interest shown would be definitely a note of confidence in private enterprise.

2. Such assistance to be derived is of an educational nature, rather than physical or financial, and consequently would require a relatively small budget and limited personnel.

3. Our nation is still in the process of industrialization, and our rural population in the main, still ignores its possibilities and its traditions

such as we find in the European countries. These must be taught to our new candidates in industry as well as to countless immigrants who need help to develop their talents in a new country.

4. As a young country, richly endowed with natural resources, Canada produces mainly raw materials and semi-wrought products. To diversify its productive capacities, we must also diversify its markets. It seems evident that in directing attention and effort to the production of finished goods, the state is keeping entirely within its sphere in offering guidance to small businesses.

5. Such guidance is only more important because of our close relationship with our American neighbours who fortunately have directed into our national economy, great capital investments, which have created large enterprises interested in the development of our national resources. These enterprises have a natural interest to create subsidiaries for the development of finished products. Small and medium enterprises would have the beneficial effect of permitting our own population to follow these trends as well and thereby derive a more personal profit from these vast undertakings.

6. Canadian legislation aimed at the prevention of agreements for price fixing must be applied with great care and precise criteria. It can easily become a practice to destroy something big for the only reason that it is big. Such action should be inspired by higher motives than the mere demagogic insistence of socialistic minds and labour unions. The application of

such legislation should be solely inspired by judiciary implications rather than administrative procedures. In any event, this would derive from the state's negative function; in other words, applying a law to prevent price fixing comes from the state's role of supervisor. The same efforts should be applied in a positive way by direct assistance to industry as herein suggested.

The foregoing are the considerations which the study of Canada's economic prospects have suggested to our association. We have in no way contended that they cover all aspects of the problem, because in many ways defending private enterprise, a human endeavour, is the same as defending the human being proper. One fact remains quite clear in our minds: that is that even if world evolution may create a certain amount of confusion and brings forth new problems which seem insoluble at this time, the fundamental principles involved remain unchanged and unchangeable. One of these is the supremacy of the individual human being, which as we have tried to point out, entails the respect due to his human endeavours of which private enterprise is a part. Commerce and industry are a by-product of man's free and private initiative. This cannot be otherwise.

The A.P.I. therefore, recommends very strongly that your Commission ask our Canadian government to safeguard the basic principle of the free enterprise system which is the only system to assure the freedom of individuals and the prosperity of the nation.

We thank you.

THE CHAIRMAN: Thank you very much. At

the beginning of your submission you said there were 600 members of your Association. What kind of industry do they represent -- what industries in the province?

MR. REGIMBALD: Practically all the industries. We have textiles, shoes, furniture, wrought wood, air transportation, radio, consumer goods. We have all kinds -- in each sphere, large, medium and small.

THE CHAIRMAN: Including the extractive industries, including the mines?

MR. REGIMBALD: Yes.

THE CHAIRMAN: There was one point you made which I thought was slightly contradictory to the other things you had to say about the position of the government when you suggested that we should have in this country a merchant marine which would presumably have to be very heavily subsidized, subsidized to such an extent that for all practical purposes it would be a government institution.

MR. REGIMBALD: Well, on that point I don't see the contradication because I say that even thought it might need subsidies to start with, the State's help in getting it going.

THE CHAIRMAN: How would it get going through subsidies only temporarily? How would it be temporary once it is in operation?

MR. REGIMBALD: Once it is in operation.

THE CHAIRMAN: But with Canadian rates of pay competitive against the rates of pay that seamen get who are operating ships under other flags, how could it be temporary?

MR. REGIMBALD: Well, that naturally is a thesis that would have to be developed on its own, I think. Exactly what the measure of the government's help or assistance would be we have not gone into, but to my mind it is inconceivable that it should be impossible to create a merchant marine when they do have a merchant marine elsewhere.

THE CHAIRMAN: We could have a merchant marine certainly. It is a question of how one would go about it.

MR. GUSHUE: I had the same point. I thought your suggestion was that the government ought to own the merchant marine. I don't think that goes on top of your point that the government ought to stay out of private enterprise as much as possible.

MR. REGIMBALD: No, it is just a point of study, more or less. Maybe that would be right from the main assistance which the government could give especially as to how we could help a privately owned merchant marine.

MR. GUSHUE: You think we ought to have a privately owned merchant marine but you cannot develop how we are to go about it?

MR. REGIMBALD: Past experience has shown they have come and gone. There is an essential need there.

(Page 6970 follows)

Le vingt-deuxième jour de février, l'an mil neuf cent cinquante-six.

M. Lussier :

Est-ce que je dois comprendre que vous êtes en faveur d'avoir les voies de transport sous la direction de l'entreprise privée? Par exemple, le chemin de fer? C'est ce que vous avez dit?

M. Roger Reginbald :

Oui, parce que quoiqu'on ne contredit pas, on ne condamne pas du tout la participation de l'Etat dans le domaine du transport actuellement, seulement, la seule chose contre laquelle on veut se mettre en garde, c'est qu'on admette comme un fait essentiel et permanent que l'Etat a un domaine particulier dans la question des transports.

M. Lussier :

C'est qu'au point de vue transport, les chemins de fer nationaux - est-ce que ces entreprises-là n'ont pas été commencées par l'industrie privée, et qu'on a été obligé de l'abandonner parce que les profits n'étaient pas suffisants pour les maintenir?

M. Roger Reginbald :

Je ne suis pas trop d'accord avec ça, parce que tout de même, on a de nombreuses entreprises privées dans le transport qui ont réussi à boucler leur budget plus facilement que l'organisation

M. Lussier :

Mais est-ce qu'il n'y a pas des raisons autres que celles que vous mentionnez là ? - que le transport du C P R a commencé avant l'autre et a seulement développé des territoires qui ont été plus payants que ceux qui ont été développés par les chemins de fer nationaux? C'est tout-à-fait différent .

M. Reginbald :

Oui, ça c'est fort possible, tout de même un fait reste vrai, si on s'en rapporte seulement à l'histoire, c'est que le développement initial a été fait, a été accompli tout de même par l'entreprise privée.

M. Lussier :

Sans doute, avec les subsides.

M. Reginbald .

Oui.

M. Lussier :

Très considérables?

M. Reginbald :

Oui.

M. Lussier :

Que les chemins de fer nationaux n'ont pas connus?

M. Reginbald :

Oui.

M. Lussier :

C'est la différence. Maintenant, les chemins de fer ne sont pas restés dans l'entreprise privée, parce que ça ne pouvait pas subsister de cette façon-là; c'est l'Etat qui a été obligé de le prendre.

M. Reginbald :

Je ne sais pas si on peut mettre la situation parallèle dans la radio où la radio fédérale. L'organisation fédérale a toutes sortes de difficultés à boucler son budget, tandis qu'on constate - on connaît parmi nos membres, nous autres, tout de même, des gens qui ont entrepris ce domaine-là et ont fait de l'argent.

M. Lussier :

Dans le domaine privé?

M. Reginbald :

Dans le domaine privé.

M. Lussier :

Sans doute, mais ...

M. Reginbald :

Je ne pense pas qu'on puisse établir comme principe que ce soit impossible - on ne doit pas admettre, il ne faut pas admettre comme principe, que c'est un domaine où l'entreprise privée ne peut pas réussir. Il faudrait qu'elle réussisse puisque c'est une activité normale, comme n'importe quelle autre branche de l'industrie. Parce que le danger de l'admettre comme un fait inévitable, c'est que le

même principe peut se répandre à d'autres branches de l'industrie. C'est sur ce point-là surtout qu'on veut faire ressortir qu'on ne l'accepte pas comme un fait inévitable, irremplacable et inchangeable.

M. Lussier :

Je ne crois pas que ce soit la mentalité du pays.

M. Reginbald :

Tout de même, on se met en garde. Ce qu'on demande, c'est une surveillance particulière à ce domaine-là. La même chose qu'on a dit pour le développement nucléaire. Dans le moment, c'est entendu, c'est facile à comprendre que l'entreprise ne pourrait pas s'y lancer continuellement, mais est-ce qu'il faut pour ça accepter comme un fait que jamais l'entreprise privée ne pourra profiter dans ce domaine-là? Je crois, et c'est pratique, parce que c'est une activité humaine, et toute activité humaine peut se rapporter à l'entreprise.

M. Lussier :

Je ne crois pas que la mentalité du pays soit rendue au point de croire que ce sont des choses impossibles.

M. Reginbald :

Non, sauf qu'il y a un certain danger tout de même. Le gros danger, à mon sens, c'est que dans toutes ces entreprises-là, on nécessairement - on tâche de prouver son existence, de justifier cette existence, et que ce fait-là seulement ait une tendance vers la socialisation, parce que si ça peut se concevoir dans un domaine, ça

peut se concevoir dans d'autres, et nécessairement ça va nous mener vers la socialisation.

M. Lussier :

C'est le point de vue philosophique que vous traitez.

M. Reginbald :

Oui, mais ça peut devenir extrêmement pratique quand même, parce qu'on a des exemples pas mal frappants dans d'autres pays où cette socialisation-là est devenue une réalité.

M. Lussier :

Ce sont des courants. Vous avez mentionné la petite industrie et le financement de la petite industrie. Pouvez-vous m'expliquer qu'est-ce que vous entendez par la petite industrie, et dans quel domaine cette industrie-là pourrait opérer en concurrence avec la grande industrie qui peut être de nature privée aussi, et qui très souvent ne permet pas à la petite industrie de se soutenir.

M. Claude Lavery :

Permettez-moi, monsieur le Commissaire, je crois bien que l'on insiste surtout pour que le gouvernement fédéral fournisse les conseils à l'organisation matérielle des petites entreprises. Plusieurs entreprises dépendent d'un propriétaire unique qui est débordé et qui n'a peut-être pas la compétence administrative dans tous les domaines. C'est surtout l'aide qu'on attend de l'agence dont nous demandons la formation.

M. Lussier :

Vous ne recommandez pas le retour à la boutique?

M. Reginbald :

Non, au contraire, mais dans notre province, nous avons plusieurs petites industries qui ont besoin de ces conseils.

M. Lussier :

Et au point de vue finance, est-ce que vous avez quelque chose à recommander?

M. Claude Lavery :

Je crois que la banque d'Expansion Industrielle pourrait élargir ses conditions de prêt et aider plus efficacement la petite entreprise sans lui demander des garanties trop sévères.

M. Lussier :

Aujourd'hui, vous êtes d'opinion que sa générosité n'a pas été assez grande?

M. Claude Lavery :

Non, parce que plusieurs compagnies privées de finance ont prêté à des petites industries alors que la banque d'Expansion, dans certains cas, parmi nos membres, exigeait des garanties que l'entreprise privée elle-même ne demandait pas.

M. Lussier :

Je vous remercie .

THE CHAIRMAN: Thank you very much.

MR. REGIMBALD: Thank you.

THE CHAIRMAN: We are very grateful to you.

Well, shall we come to order? The next statement which will be Exhibit 199 will be presented by Mr. Harold Fisk, the president of the Canadian Forestry Association and Mr. Van Camp is with you?

MR. FISK: Yes.

THE CHAIRMAN: Will you stand or sit?
Whichever you prefer.

MR. FISK: I think I will sit.

Mr. Chairman, before I present my brief I would like to have your permission to briefly draw to your attention two points which are not directly related to the brief itself. The first point I would like to bring to your attention concerns the actual wording of the brief.

At a final meeting of our committee held last evening, it was found that we should make some slight revisions in certain sections of the brief in order to clarify certain points in it. Therefore, a revised brief to our original brief was made this morning and you and your associates now have in your possession, our brief in its final and corrected form. However, I understand that a few advance copies in its original form were distributed to the gentlemen of the press yesterday afternoon in order to assist them in preparing their news release. I trust it will be possible for us to have these advance copies revised before any news reports are sent out, but in any event, Mr. Chairman, I would like to draw this point to your attention to

safeguard against any confusion or misunderstanding in this action.

THE CHAIRMAN: Did you speak to the press?

MR. FISK: Mr. Van Camp has spoken to them and I think he has been able to do that but I wanted to stress that because there have been several minor changes made in the wording of the brief.

The next point I would like to mention relates to the question period which I understand will follow immediately after the presentation of my brief. The work of the Canadian Forestry Association covers a very broad field, as you understand, and therefore it may not be possible for me to answer some of the questions that you put to me. As you know, the office of the President is an honorary elective one and it is not possible, I am sure, for every president to be intimately familiar with all the work of the Association. However, the Association has a staff officer, a general manager who serves the association in much the same capacity as the Deputy Minister of a department in Ottawa serves the Minister of that department and I am sure you will agree with me in many instances during debates in the House the Minister turns to his Deputy for guidance in detail and technical data. In my case I am fortunate in having with me the general manager of our Association, Mr. Lloyd Van Camp and if you will allow me to do so I would like to refer to Mr. Van Camp any questions which he is in a better position to answer than am I.

Now, sir, I will turn to the brief, if I may. There is a letter of transmittal with it. This letter

explains the functions of our Association and it might be well to read that now. It is addressed to you and your Commission.

Gentlemen: The Canadian Forestry Association respectfully submits herewith a brief dealing with the significance of forests in the Canadian economy. The importance of developing full public consciousness on the part of all Canadians is also brought out. Every citizen should be made aware of the need to protect and develop these resources to their fullest extent, for perpetual production.

The Canadian Forestry Association is a non-profit, non-political organization supported by governments, business and the general public. It was formed in 1900 and has operated continuously since that time from coast to coast. Our official magazine is the monthly publication, "Forest & Outdoors".

The objective of the Canadian Forestry Association is to increase public education on Canadian forests, and on all other renewable natural resources associated with the forest resources of this country.

I have pleasure in making this presentation as President of the Canadian Forestry Association. I am self-employed, a business consultant, and resident of the city of Montreal. I am speaking for our board and officers, and for the thousands of members of this organization, and its branches and affiliates in all ten provinces. Incidentally, we have approximately 30,000 members.

The brief presented herewith is being

supplemented by further detail on values inherent in the forest resource, in addition to the very large economic values represented by timber products and the thousands of items manufactured from them. This further detail, gentlemen, will be in the form of probably a six page brief. It will be available next week. It will deal with such matters as fish and game, recreation, water conservation, prairie tree planting, tree farming and other related problems.

We trust that this brief, with the many other forestry presentations delivered to this Commission will obtain increased attention for our basic forest resources. Improved action should then be provided for their protection, maintenance and perpetual operation, in the public interest.

Canada's forests occupy 37 percent of the land area of this country. I would like to interject one thought there. We have used the 37 percent figure because that was available when this brief was first prepared. That figure has now been changed to 44 percent because of the introduction of Newfoundland into Canada. Furthermore -- and I am reading just from some notes here -- that 44 percent figure could be increased to 61 percent if you wish to consider the area in the ten provinces only because the 44 percent figure is based on all of Canada and as you can readily understand there are vast areas in the far north that have very little tree cover on them. I merely interject that to show that the 37 percent is in every way a very minimum figure. To return to the brief:

They are an important source of employment,

wealth, domestic and export trade in every province. Our forest and agricultural soils are the only basic renewable natural resource. Under good management they will produce food and fibre continuously, and in even larger quantities under improved management.

Historically, the forests have been exploited, first under the urge to clear land for agricultural purposes, and later under the mistaken impression that the supply of timber was inexhaustible. An important point should be brought to the attention of the honourable members, early in this statement. We are now changing from use of forests grown by nature, without human intervention, to the growing of continuous crops of forests under human management, just as is true of agricultural crops.

There is no further forest frontier of any consequence to reach geographically. Limited areas of presently unproductive forest will come into use, as this becomes economically feasible. The frontiers of the future are: improved methods of management and utilization, better products and markets through research, and extensive improvement in the public attitude toward our forests. With improved public leadership, industry example, and greater public appreciation, through education of Canadian citizens, this desirable change in attitude can be hastened. The tremendous place which the forest industry has in the Canadian economy is frequently overlooked. We accept forests as unthinkingly as the air we breathe, or the water which flows in our streams. However, the product value of Canadian forests

equals \$2,157,000,000 annually. This ranks as a startling economic fact. Three tables attached (which I will not read to you at this time) represent the most recent data from the Dominion Bureau of Statistics. They are for the calendar year 1953.

Although these figures are enormous with pulp and paper out-ranking any other single industry, and providing for our greatest single source of export trade, they are not the limit of the production from Canadian forests, under good management. Taking pulp and paper industry figures alone, they show that the volume of production has doubled in less than 20 years. In 1956, that section of the forest industry alone plans to invest over 453 million dollars in new plants and equipment. This is an indication that the rate of increase of the past few years is to be maintained in the decade to come.

At the recent annual convention of the Canadian Lumbermen's Association, it was reported by the Honourable Donald Fleming, that lumber production in this country is now almost 8 billion board feet annually, compared with a prewar production of approximately half that figure.

Concern by the public about overcutting our timber supplies is understandable in the face of the continuous increase in demand for wood products. Constant increase in production of all types of forest products has been shown to exist. However, there are several factors which make this increase a practical and economic feasibility, without endangering the basic

forest resource, or its ability to continue producing regular crops of wood fibre.

In a recent public statement by the immediate past-president of the Canadian Forestry Association, Mr. Wallace A. Delahey, some of these factors were outlined. They include steadily increasing wood utilization, leaving less of the tree in the woods, and less of the log on the slab, edging or sawdust pile. In point of fact, some additions to pulp mills in the 1956 expansion programme will depend entirely for their source materials upon chips from slabs and edgings, formerly considered waste material by sawmills.

An additional factor which is bringing more wood fibre into the mills is their technical ability to use species of wood formerly considered waste or un-profitable. Mr. L.R.Andrews, the Executive Vice-President of the B.C. Lumbermen's Association, reports that the forest inventory for the province of British Columbia has risen to 765 billion feet board measure, on 90 million acres. This is compared with an estimated 254 billion feet board measure on 75 million acres, at the time of the 1946 Royal Commission on Forestry, headed by Chief Justice Sloan.

Reasons for this increase in forest inventory are the addition of formerly non-commercial timber to the current useable inventory, advance in logging techniques which recover more timber from difficult terrain, increased prices as an incentive to log less accessible timber areas, and increased sales effort in the domestic and export markets.

Combined with research, producing new lumber, veneer, and pulp products, the industry has found sound expansion possible.

Although these are encouraging signs there is also need for concern in several directions. The first of these is the lag in public knowledge of our forest resources. We are not as forest conscious as are other countries similarly dependent upon their forest resources for a major section of the national economy. The amounts re-invested by federal or provincial governments or by forest industry, in public education, are still negligible compared with the tasks to be accomplished in this field.

Money invested in research, in woods studies to guarantee successive crops of timber, and in the mills to improve methods and develop new products, is still proportionately below that found necessary and profitable in other industries.

Our shortcomings in information, contribute to the lack of adequate management on many millions of acres of forest land. Problems thus exist which need not appear under fully effective forest management.

Extensive fires still devastate over two million acres of forest land each year. Over 80 percent of those fires are preventable since they are caused through carelessness by humans. Where these fires burn a second and third time in young growth, forest lands are reduced to bare granite rock. There is then no possibility of replacing forests on these areas within the span of generations.

Extensive fires have resulted in natural reforestation of large areas by a single species. In many cases this is conducive to insect outbreaks. Unbroken square miles of one tree species provide a condition suitable for the spread of insect epidemics such as the spruce budworm.

Forest cutting methods which produce similar extensive areas of a single species in the reproduction likewise leave our timber open to insect epidemics. Heavy and widespread cutting may disturb forest and soil conditions to such an extent that physiological changes arise. It has been shown, for instance, that a rise in average forest soil temperatures of as little as three degrees can cause extensive killing of valuable yellow birch or other trees. Good timber crops require natural forest conditions, disturbed as little as possible by cutting, fires, or insect epidemics.

Perhaps our greatest forest need, however, is for inspired leadership on the part of governments, forest industry, business, education and civic officials. This may well prove the most useful contribution made to Canada's economy by this Commission in relation to Canada's forest economy. Impartial consideration of the complex interests involved in our forest economy is vitally needed, in the public interest.

The present size and importance of the forest industry, even under our present imperfect management, and the certainty of increased expansion by this industry, make the achievement of good forest

management, within the economic framework, of serious concern for every thinking Canadian. We trust that the present brief will play its part in bringing the importance of the Canadian forest economy to the minds of the honourable members of this Commission. Through them, this information can be taken to the Canadian public, the final arbiters of Canada's forest destiny.

THE CHAIRMAN: Thank you very much, Mr. Fisk. I think you might ask one of your members, provided he is in good standing, if he would like to answer some questions.

MR. FISK: Mr. Chairman, I was going to say that in addition to Mr. Van Camp, I have Mr. Omer Lussier here, one of our directors, if he would like to play a dual role.

MR. GUSHUE: Perhaps we should ask Mr. Lussier questions.

MR. LUSSIER: I understand you are going to submit a brief which covers another topic?

MR. VAN CAMP: We would like that permission to present a brief which covers perhaps particular classes that are considered intangible, such as recreation, water use, hunting and fishing -- game, which is really forestry branch.

THE CHAIRMAN: Salmon fishing.

MR. VAN CAMP: Definitely.

MR. GUSHUE: You left out fishing as a renewable source.

MR. VAN CAMP: That would have been very close to your heart there, wouldn't it?

MR. GUSHUE: A little.

MR. VAN CAMP: It would be very difficult to get them without clear water.

MR. LUSSIER: Maybe I should not ask these questions, but for the benefit of my colleagues I will. You say that you are an independent organization taking care of forest conservation in Canada. Now, who is supporting your organization?

MR. FISK: Mr. Chairman, I can answer that partly and then if you will allow me to I will call on Mr. Van Camp to give you the detail. First of all, I said in the opening that we had about 30,000 members. That is broken up into two main parts. The first number is about 6,000 members whom we refer to as provincial subscription members. They are in each province and they contribute to the support of the Association. The next group comprises about 23,000 members and they are subscribers to our magazine Forest and Outdoors which includes that type of subscriber membership. That makes a total of approximately 30,000.

Now, in the other groups that you will no doubt know about, Mr. Lussier, the Q.F.A. which is supposed to be affiliated with us has about 9,000 members which I have not included in the Canadian Forestry Association. Then, there are two similar groups with which we work very closely. That is the Q.F.I.A. and the O.I.F.A. Those are more or less industry groups very similar to the Canadian Association and very similar to our field of endeavour here. That is our field of endeavour and how our membership is made up. Perhaps

Mr. Van Camp may like to add something.

MR. VAN CAMP: Actually I presume you may know our objective is to have 50 percent of our organization come from the forest industry group, about 30 percent from the general public and about 20 percent from the governments, provincial and federal. We have not quite reached that. It is about 14 percent actually from all government sources, something like 51 percent from the forest industry and the balance from all the governments.

MR. LUSSIER: Do you think you have enough money to carry on your work properly?

MR. VAN CAMP: No, at the present time we are engaged in presenting first to the forest industry a proposal that they should increase what they do now as a sort of a formal gesture. Most of the larger pulp and paper industries give a flat percentage per cord to the Association. Our British Columbia branch approached their supporters and got an increase of about 33 percent in the industry's support of them. We would certainly be lax in our duty if we said we were satisfied with what we are doing now because we just presently passed on that more education is needed and we think it is essential.

MR. LUSSIER: What is the proportion of the money you receive out of this 14 percent of the governments. What is the proportion that you receive from the Dominion and provincial governments?

MR. VAN CAMP: In actual amount, the federal government gives the National Association

\$10,000, of which \$2,500 goes to Quebec for the work of the French speaking Quebec Forestry Association and the balance of other moneys comes from the provincial governments to our provincial units and they total in round figures about \$14,000 outside of Quebec, which gives, I think, \$22,000 to the Quebec Forestry Association itself.

MR. LUSSIER: So that the federal government contributes to the Association somewhat less than half of all government contributions?

MR. VAN CAMP: It is only \$10,000 and the provinces \$20,000.

MR. LUSSIER: It may be nearer \$30,000. Do you think the Federal Government should be more interested in giving you more money?

MR. VAN CAMP: At one time not too many years ago they spent \$250,000 a year on public education in their own department of Lands and Forests, whatever the name was at the time -- it has been changed frequently. In fact the federal government which looks after the forest has not the word "forest" in its title as we pointed out a few years ago and the people that are interested in the federal government contribution, I believe, feel that they could do more than that if they were properly, shall we say, sold on the idea or the idea was thoroughly presented to them. We have probably failed in not having presented that to them so that they will know what it is all about.

MR. FISK: Mr. Chairman, by the same token, may I add one more thought which might be of

some help to you. In addition to financial assistance we receive assistance in other ways. A very good example is a railway car called "The Conservation Car" which Canadian National made up especially for us about two years ago, equipped it, and that operates from coast to coast in charge of a lecturer who is one of our permanent staff men. Last year that car stopped and gave over 500 lectures to about 27,000 people.

MR. VAN CAMP: In small forest communities.

MR. FISK: Little bits of places where there are probably 200 people. There may be more than one lecture in one day because the car holds 65 people.

MR. VAN CAMP: About 130 children.

MR. FISK: Then, there is another car which has been maintained by the Canadian Pacific Railway for many, many years -- since 1920. It operates mainly on the Prairies and has to do with tree planting, but that is a very large contribution. It is very hard to measure that in dollars and cents, for us to measure what the Canadian National and Canadian Pacific contribute as they maintain and operate the cars, which is quite a bit.

MR. VAN CAMP: 15,000 miles free of charge with three people.

MR. FISK: Another contribution made -- I am talking purely off the cuff here -- I think I am correct in my statement, but if you, Mr. Van Camp, see that I am erring I wish you would correct me -- the radio time we have spots on many radio stations, very brief spots -- 20 seconds, 30 seconds, one minute, for a message particularly in the fire prevention season. In many cases

the radio stations will send us a bill for it and mark it "paid" to show that it is complimentary but shows on the record. More than once in going back over the years we have estimated that the dollar value of that radio time is equivalent to ---

MR. VAN CAMP: It has been as high as \$300,000 a year.

MR. LUSSIER: Do you include the private stations at the same time?

MR. VAN CAMP: About 130 stations, both C.B.C. and private stations.

MR. FISK: It may be only a flash of twenty or thirty words. It is read between two programmes but the radio station has that available and if they have twenty or thirty seconds to spare, it is read out. We find it is most helpful to make the Canadian citizens conscious of fire prevention in the woods, because as I said in my brief about 80 percent of all fires are by human carelessness and a large part of it can be prevented.

In that connection, just let me give you a breakdown of figures here. These are government figures. Of a total of 100 percent of causes of forest fires, they put down smokers as 16.8 percent, campfires 19.6 percent, railways 10.5 percent, settlers 8 percent, industrial operations 4.9 percent, incendiary 3.1 percent, public works 1.7 percent. Those add up to approximately 80 percent. The balance of 20 percent is made up of lightning 14.8 percent and unknown 6.1 percent.

MR. VAN CAMP: 1954 figures.

MR. LUSSIER: Have you got any members in

Newfoundland?

MR. VAN CAMP: We have individual members in Newfoundland but we do not have an organized section of the Canadian Forestry Association there as yet but we operate very closely in co-operation with the Newfoundland Forest Protection Association.

MR. GUSHUE: I was going to ask about that. There is a Forest Protection Association there in which the government and the big operators other than the two paper company operators, drew up an arrangement and pay a share towards it. I was going to ask if you were linked up with that association?

MR. VAN CAMP: It is an affiliate. They also take one issue of Forest and Outdoors. Usually the January issue is devoted to Newfoundland and we give them national publicity in that one issue.

MR. GUSHUE: They have their direct contribution from government and industry?

MR. VAN CAMP: Yes, it is well organized. By the way, Quebec also is very well organized from the protection association, from the Quebec Forest Protection Association, better than any other province, I think, from that particular standpoint.

MR. GUSHUE: Your main purpose in bringing this brief before us is to draw attention to the urgent necessity for forest management. I think that really is your real point, isn't it, to bring that directly to the attention of this Commission?

MR. FISK: Forest management and forest protection.

MR. GUSHUE: Well, of course, I included that in forest protection.

MR. FISK: There are more things than just fire and insects and so on.

MR. VAN CAMP: In fact, the public consciousness about fires is still behind what we would like to see. I had lunch today with a distinguished architect and I asked him what his views on forestry were and he thought that every time a tree was cut a new one should be planted in its place, which is as antiquated a point of view as you will see, but it is an opinion that is widely held.

THE CHAIRMAN: I thought you were going to say as antiquated as architecture in some of our cities.

Well, thank you very much.

MR. FISK: We thank you for allowing us to be here. We appreciate this opportunity of being able to make this presentation to you.

THE CHAIRMAN: Thank you very much. We will adjourn until tomorrow.

(At 5:30 P.M. the Commission adjourned until 10:00 A.M., Thursday, 23rd February, 1956)
